



Universal Registration Document and Annual Financial Report 2019



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Groupe La Banque Postale

Universal registration document

& Annual financial report **2019**



This Universal Registration Document was filed on 17 March 2020 with the French Financial Markets Authority (AMF), as the competent authority under Regulation (EU) 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 complete document has been approved by the AMF in accordance with Regulation (EU) 2017/1129.

The English language of this report is a free translation from the original, which was prepared in French. 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.

Pursuant to Article 28 of EC n° 809/2004 of 29 April 2004, the following documents have been incorporated by reference into this Universal Registration Document:

- ▶ the consolidated financial statements for the financial year ended 31 December 2018, together with the related statutory auditors' report, presented respectively on pages 178-185 and 279-281 of 2018 Registration Document No. D.19-0152 registered with the French Financial Markets Authority on 14 March 2019 ;
- ▶ the consolidated financial statements for the financial year ended 31 December 2017, together with the related statutory auditors' report, presented respectively on pages 158-162 and 223-225 of 2017 Registration Document No. D.18-0143 registered with the French Financial Markets Authority on 16 March 2018.

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

INTRODUCTION

Company name and trading name

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

Legal form - Applicable legislation

Limited company (*société anonyme*) with an Executive Board and a Supervisory Board

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

- ▶ The provisions of the French Commercial Code regarding commercial companies;
- ▶ The provisions of the French Monetary and Financial Code regarding credit institutions;
- ▶ The provisions of law no. 2005-516 of 20 May 2005 regarding the regularisation of postal activities;
- ▶ The provisions of order no. 2014-948 of 20 August 2014 regarding governance and transactions involving the share capital of companies with public shareholdings.

Place of registration and registration number – Date of incorporation – Country of origin

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

Country of origin: France

Legal entity identifier (LEI) : 96950066U5XAAIRCPA78

Amount of the 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) fully paid-up shares of a single class.

Duration of the company

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

Registered office

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

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

PRESENTATION OF LA BANQUE POSTALE GROUP

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1.1 GENERAL PRESENTATION OF THE GROUP

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

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

- ▶ Retail Banking: offering banking products and services to private individuals, professionals, corporate customers, social economy actors and local authorities;
- ▶ Insurance: life insurance *via* CNP Assurances and personal risk insurance, property and health insurance through La Banque Postale's insurance subsidiaries;
- ▶ Asset Management, carried out through the asset management subsidiaries which provide savings and investment products to individual customers and legal entities.

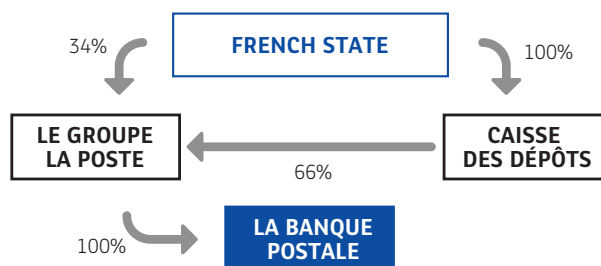
La Banque Postale has developed along the lines of a multi-stakeholder model with the strong trust, accessibility and proximity values of the La Banque Postale Group and benefiting from a unique and original positioning in the French market. Thus, La Banque Postale's commercial strategy focuses on simple and affordable products suited to the needs of its customers.

1.1.1 Group shareholding structure

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

Article 1 of 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 government bodies, except for any capital that may be held under employee ownership schemes.

Following the completion of the project to create a major public financial unit, Le Groupe La Poste is now majority held by the Caisse des dépôts (66%) and by the French government (34%).



1.1.2 Shareholder relations

La Banque Postale, a fully-owned subsidiary of the La Poste Group

Pursuant to Article 16 of law no. 2005-516 of 20 May 2005, and to its enactment decree of 30 August 2005, La Poste, an industrial and commercial public company (EPIC), transferred all the assets, rights and obligations relating to its financial services to La Banque Postale, with effect from 31 December 2005. Equity interests were included in the transfer, with the exception, where appropriate, of those required by La Poste for its directly-managed businesses. As a result of these transactions, La Poste holds all of the capital of La Banque Postale (except for one share lent to the Chairman of the Supervisory Board). The aforementioned Article 16 expressly provides that La Poste must own a majority interest in the capital of its subsidiary. There are no employee shareholders.

The relationship between La Poste and La Banque Postale is very close. It operates both at the governance and management body level, and in the companies' industrial and commercial dealings. As a result, the Executive Board Chairman of La Banque Postale is also Executive Vice-President of La Poste and a member of its Executive Committee. The Chairman of La Poste is also the Chairman of the Supervisory Board of La Banque Postale.

La Poste is La Banque Postale's main service provider: it provides La Banque Postale with staff who act "in the name of and on behalf of" La Banque Postale. Various agreements have been reached

between La Poste and La Banque Postale in this respect, and pursuant to Article 16 of law no. 2005-516 of 20 May 2005.

As a subsidiary of La Poste Group, La Banque Postale must obtain prior authorisation from the Board of Directors of La Poste to carry out certain transactions such as acquisitions, equity investments, asset disposals, strategic partnership transactions, and other significant investments and divestments. La Banque Postale must request prior authorisation for any borrowing which has a significant impact on the consolidated balance sheet of the La Poste Group. Lastly, La Banque Postale is La Poste's main banker.

The Agence des Participations de l'État (APE) representing the State, the Groupe La Poste's major shareholder is also involved in the governance of La Banque Postale *via* its presence on La Banque Postale's Supervisory Board.

Successor to the banking accessibility mission entrusted to La Poste

The Legislator has entrusted La Poste with a public interest role to ensure banking accessibility to banking, including support for the Livret A account. This is one of the four public service and general interest missions entrusted to La Poste by the law of 2 July 1990 (amended by the law of 9 February 2010). The French Monetary and Financial Code also stipulates that "in the banking, financial and

insurance fields, La Poste shall offer products and services as widely as possible, particularly the Livret A accounts". La Poste carries out this role *via* La Banque Postale, its subsidiary, a credit institution.

The Law on the Modernisation of the Economy dated 4 August, 2008 generalised the distribution of the Livret A regulated savings accounts to all banks as from 1 January 2009. However, the law set out specific obligations for La Banque Postale in terms of the distribution and operation of the Livret A in respect of its banking accessibility mission: The obligations, formalised in two

agreements binding the government, La Poste and La Banque Postale are provided in a special section of this Universal Registration Document (*see 7.5.2 Banking accessibility mission*).

The public service mission, which benefits many people have difficulty accessing or using traditional banking services receives financial compensation from the Caisse des dépôts savings fund. The principle of the compensation is provided for in the law and the multiyear amount (currently the 2015-2020 period) was approved by the European Commission under the State aid regime.

1.1.3 Changes in the share capital

The capital was increased to €4,631,654,325 in May 2019, following a capital increase *via* the conversion of convertible bonds.

Following the capital increase related to the full consolidation of CNP Assurances completed on 4 March 2020, the share capital of La Banque Postale is now €6,585,350,218.

	2015	2016	2017	2018	2019	04.03.2020
Number of shares	35,186,153	35,186,153	35,186,153	35,186,153	40,275,255	80,309,149
Share capital (in euros)	4,046,407,595	4,046,407,595	4,046,407,595	4,046,407,595	4,631,654,325	6,585,350,218
La Poste holding	100% ⁽¹⁾	100% ⁽¹⁾	100% ⁽¹⁾	100% ⁽²⁾	100% ⁽²⁾	100% ⁽²⁾

(1) With the exception of one-share loans to members of the Supervisory Board.

(2) With the exception of a one-share loan to the Chairman of the Supervisory Board.

The shares that make up the share capital have not been pledged.

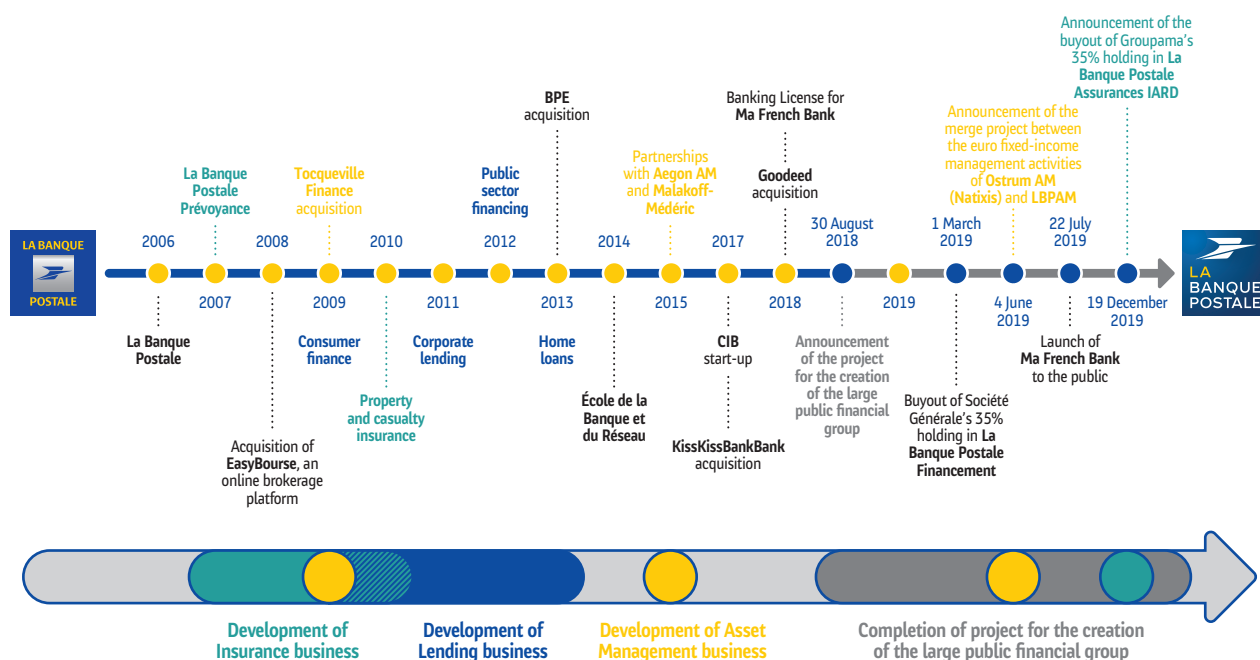
1.1.4 Dividend policy

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

The dividends distributed are as follows:

	2015	2016	2017	2018	2019
Distribution (in € millions)	318	312	344	327	351

1.1.5 History



La Banque Postale was created on 31 December 2005, *via* the legal transformation of EfiPoste, an investment company established in 2000 to provide financial management for the demand deposit outstandings of La Poste, which also wanted to establish a banking subsidiary able to carry all customer deposits and loans in its balance sheet. Pursuant to Article 16 of aforementioned law no. 2005-516 of 20 May 2005, and to its enactment decree of 30 August 2005, La Poste, in the form of an industrial and commercial public company (EPIC), transferred all the assets, rights and obligations relating to its financial services to La Banque Postale, with effect from 31 December 2005. Equity interests were included in the transfer, with the exception, where appropriate, of those required by La Poste for its directly managed businesses. As a result of these transactions, La Poste holds all of the capital of La Banque Postale (except for one share lent to the Chairman of the Supervisory Board).

The “postal” law of 1990, revised in 2010, entrusted La Poste with four public service missions including banking accessibility, implemented by its subsidiary, La Banque Postale. In application of Article L. 518-25-1 of the French Monetary and Financial Code, this mission is framed and described by two agreements signed with the State: the enterprise agreement between the State and La Poste (2018-2022) and the agreement between the State and La Banque Postale (2015-2020). As a result, La Banque Postale:

- ▶ is required to open a Livret A savings account free of charge for anyone who makes a request, according to the “universality” principle;
- ▶ authorises the domiciliation of payment transactions to Livret A accounts relating to social security benefits and to civil servants’ pensions, as well as direct debits relating to the payment of taxes and duties, water, gas, and electricity bills, and subsidised housing rents;
- ▶ authorises withdrawals and deposits from and to the Livret A starting at €1.50.

Since its creation, and in line with its certification, La Banque Postale has extended its product line to home loans with no prior savings requirement (in 2006), to consumer loans (in 2007), to property and casualty insurance (in 2009), to financing products and services for legal entities (in 2011) and to financing products for local authorities (in 2012).

Since this date, La Banque Postale has offered the full range of Retail Banking products and services, and is continuing its development *via* new acquisitions and the implementation or strengthening of partnerships.

In 2017, La Banque Postale rounded out its universal banking offer by creating a corporate and investment bank, which brings together all activities associated with financial markets, structured financing and asset and project financing transactions.

In August 2018, a project for the creation of a major public financial unit was announced by the Ministry of the Economy and Finance to strengthen the cohesion between regions and fight against the regional divide thanks to the competences of La Banque Postale, Bpifrance and Caisse des dépôts. New milestones for the creation of a major public financial unit were reached in 2019. Following completion of the transaction, *i.e.* since 4 March 2020, La Banque Postale is now the major shareholder of CNP Assurances, with 62.13% of the capital.

In March 2019, La Banque Postale acquired Société Générale’s 35% stake in Banque Postale Financement, La Banque Postale is now the sole shareholder of the subsidiary and is pursuing an innovation strategy to meet the new consumption and growth habits of the business, for the benefit of its customers, and of the customers of Ma French Bank, its mobile bank.

In June 2019, La Banque Postale and Groupe BPCE announced a project to merge the primarily insurance-related euro fixed-income management activities of Ostrum Asset Management and LBPAM on a shared platform. The purpose of the project is to create a leading insurance product manager in Europe which is entirely compliant with socially responsible investment (SRI) principles. In

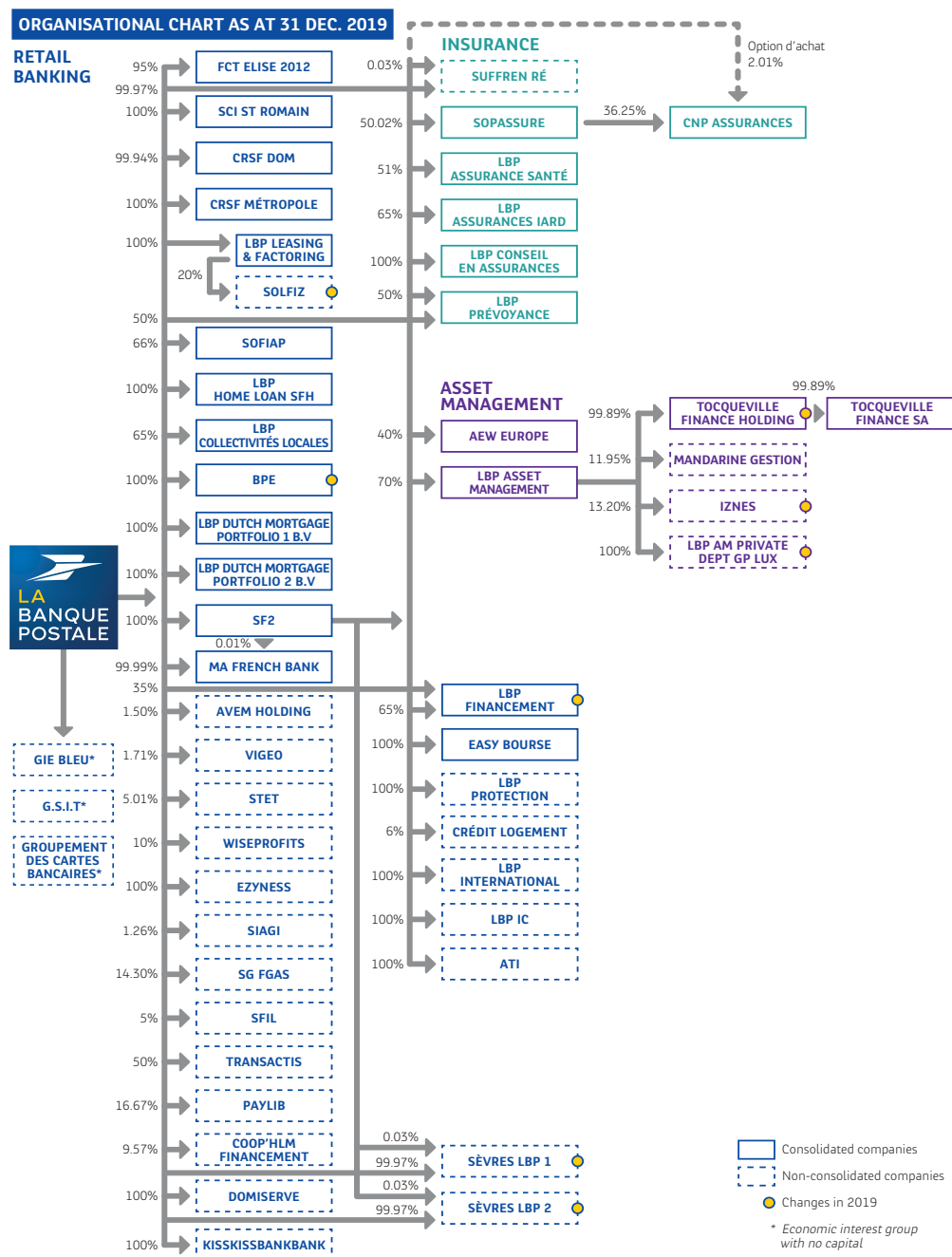
December 2019, La Banque Postale and Groupe BPCE completed a significant step of the project by defining its main principles and procedures. The transaction should be completed during the second half of 2020.

In December 2019, La Banque Postale and Groupama announced the signature of a non-binding MoU for the acquisition of Groupama's holding in La Banque Postale Assurances IARD by La Banque Postale and the continuation of their cooperation in

legal protection insurance and assistance. The transaction should be completed during the first half of 2020.

2019 also saw the continuation of La Banque Postale's digital strategy with several commercial initiatives and developments. La Banque Postale launched "Ma French Bank" the 100% digital bank on sale in over 2,000 post offices. La Banque Postale also created the platform58 incubator to host start-ups specialised in fintech and assurtech.

1.1.6 Group organisation



The organisational chart shown does not include entities to be sold or non-consolidated entities in which the holding is below a 1% threshold.

1.1.7 Organisational structure

The La Banque Postale organisation includes:

- ▶ La Banque Postale, the parent company to which the activities of La Poste's Financial Services were transferred. This is the core of the Retail Banking business and it directly holds the most recent acquisitions;
- ▶ SF2, a holding with 24 subsidiaries and equity interests (with the exception of entities held directly) created during the time of La Poste's Financial Services and acquired by La Banque Postale at its creation in 2005. At that time, SF2 held most of the Insurance and Asset Management subsidiaries.

Operational relations with the La Poste Group

Wholly owned by La Poste, La Banque Postale is both a customer (for mail, parcel, network and other services) and a supplier (as its principal bank) of the Group. La Poste plays the role of service provider, supplying staff who act "in the name of and on behalf of" La Banque Postale.

Relations between La Banque Postale and La Poste are conducted within the framework of service agreements as provided for by Article 16 of law no.2005-516 of 20 May 2005 concerning the regulation of post office business activities, cited above. This arrangement comprises a framework agreement that establishes the general principles and those of responsibility between La Poste and La Banque Postale. This agreement has 14 implementing conventions divided into the following five areas:

- ▶ information technology and telecommunications;
- ▶ employee support and accommodation;
- ▶ counters, ATMs and commercial distribution;
- ▶ controls, risks, compliance, anti-money laundering and combating the financing of terrorism;
- ▶ support functions.

La Poste staff used by La Banque Postale implement the Bank's policies in its name and on its behalf. These La Poste employees are authorised to act on the Bank's behalf, in accordance with specific rules necessary for conducting banking business, and they primarily exercise the back and middle-office, IT support and banking, financial and insurance product sales force functions of La Banque Postale.

Counter services are provided by the network of post offices of La Poste and are governed by agreements concerning the type of transactions to be carried out, their unit rate, the way they are carried out and the quantitative and qualitative service criteria.

Organisation of La Banque Postale

La Banque Postale is, therefore, organised as follows:

- ▶ its own resources, those of its subsidiaries and of its strategic holdings. La Banque Postale's subsidiaries include BPE private banking and the crowdfunding specialist KissKissBankBank. It can also be a co-shareholder in joint companies such as the electronic money specialist Transactis held in partnership with Société Générale;
- ▶ resources provided by Le Groupe La Poste, notably its network of post offices, banking advisors and customer representatives.

In all, nearly 28,200 employees work for and on behalf of La Banque Postale⁽¹⁾. For more details about the employee data, please refer to the "Social Indicators" section of Chapter 6 "Corporate Social Responsibility".

(1) Permanent, fixed-term and secondment contracts.

1.2 KEY FIGURES

10.5 MILLION ACTIVE INDIVIDUAL CUSTOMERS ⁽¹⁾	354,000 LEGAL AND LOCAL PUBLIC ENTITY CUSTOMERS	17,100 POINTS OF CONTACT
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(1) According to the new segmentation applied in 2019, active individual customers correspond to "Core Clientele" individual customers, including equipped committed and non-committed customers. The concept of commitment is tied to the domiciliation of income, the concept of equipment and the holding of several product families.

1.2.1 consolidated results

(in € millions; reported data)	2015	2016	2017	2018	2019
Net Banking Income	5,745	5,602	5,687	5,570	5,647
Operating expenses ⁽¹⁾	4,693	4,587	4,619	4,615	4,692
Gross operating income	1,052	1,015	1,068	955	955
Cost of risk	181	181	192	183	178
Net income, Group share	707	694	764	726	780
Cost-to-income ratio ⁽²⁾	82.1%	82.4%	81.8%	83.4%	83.8%

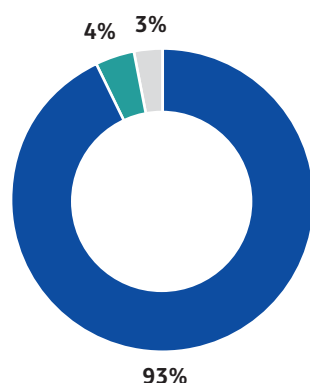
(1) Operating expenses = general operating expenses + net depreciation, amortisation and impairments of tangible and intangible assets.

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

1.2.2 Business line contributions to net banking income (NBI) and net income, Group share

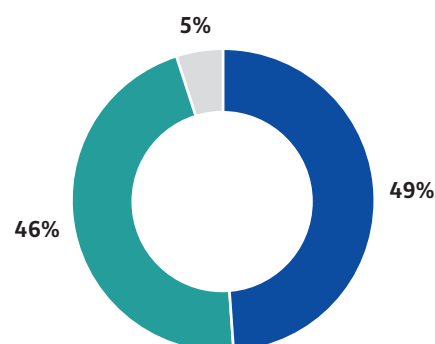
The breakdown of net income, Group share includes the contribution of CNP Assurances to the Insurance business income.

NBI BY BUSINESS LINE



■ Retail Banking
■ Insurance
■ Asset Management

NET INCOME, GROUP SHARE BY BUSINESS LINE

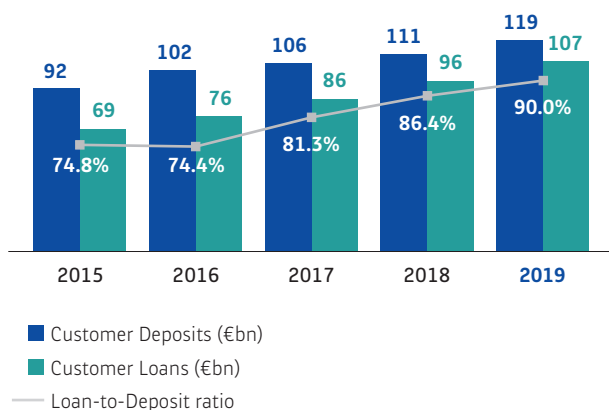
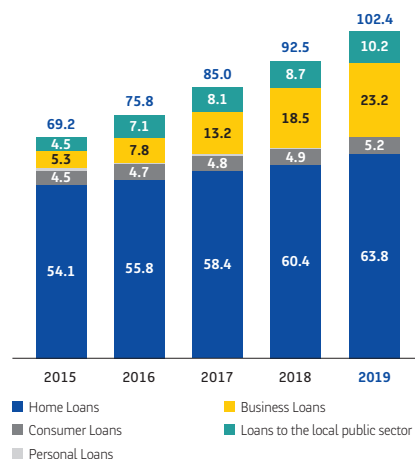


■ Retail Banking
■ Insurance
■ Asset Management

1.2.3 Business activity

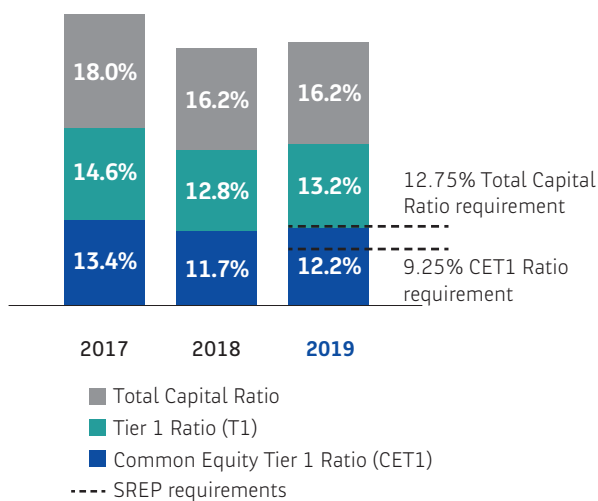
(in € billions; reported data)

	2015	2016	2017	2018	2019
TOTAL OF THE IFRS BALANCE SHEET	219	230	231	245	272

**OUTSTANDING DEPOSITS⁽¹⁾ & AND CUSTOMER CREDIT
(IN € BILLION) AND LOAN-TO-DEPOSIT RATIO (%)****OUTSTANDING HOME LOANS
(IN € BILLION)**

1.2.4 Financial structure

La Banque Postale Group presents solid solvency ratios.

SOLVENCY RATIOS (%)

The SREP requirements do not take into account the 0.25% countercyclical capital buffer for exposures in France, applicable since 1 July 2019 and which will be increased to 0.50% starting on 2 April 2020.

(1) Customer deposits exclude savings assets centralised at CDC.

1.2.5 Ratings

La Banque Postale enjoyed good credit ratings at 31 December 2019, reflecting its financial strength and its rigorous risk management:

	Standard & Poor's	Fitch
Long-term ratings	A	A-
Outlook	Positive	Stable
Date updated	18 December 2019	10 October 2019
Short-term rating	A-1	F1

Rating agencies confirmed the short- and long-term credit ratings of La Banque Postale in 2019 which are, respectively, A-/F1 for Fitch with a Stable outlook and A/A-1 for S&P with a Positive outlook.

1

1.3 STRATEGY AND OUTLOOK

Since its creation in 2006, La Banque Postale has gradually grown into a bank and insurance company offering a complete line of products and services, in accordance with its civic values and unique purpose, to all types of customers in France.

With its 2014-2020 development plan "*Osons créer la banque de demain*" ("Let's create the bank of tomorrow"), La Banque Postale initiated its transformation to better serve its customers, partners and employees.

The new 2021-2030 development plan currently being prepared will have to meet structural and economic challenges which include ongoing low interest rates, new customer expectations and the emergence of new competitors on the periphery of the financial sector.

The creation of a major public financial unit for the regions was announced in August 2018. It includes La Banque Postale's merger with CNP Assurances and will enable the creation of a major integrated bancassurance group.

1.3.1 The objectives of the 2020 development plan

La Banque Postale's development plan prioritises commercial development for all types of customers, whether individuals or legal entities, while consolidating the development of the Asset Management and Insurance units which underpin its diversification strategy.

Accelerate business development in the Retail Banking market

In the Retail Banking market, the major development focus is on:

- ▶ winning and retaining the loyalty of **young** customers. Attractive commercial terms for products, responsiveness to suggestions and the quality of customer relations are the keys to attracting and retaining the loyalty of young customers. Specific offers and commercial guidance are provided to them;
- ▶ building life solutions for **seniors**. The societal challenge presented by an ageing population and the management of dependency has led La Banque Postale to provide new solutions (dependency insurance, etc.) and to support its senior customers while taking the financial situation of each individual into account;
- ▶ accelerating the development of **wealth** banking, relying on an expanded sales structure, a full range of services and a suitable organisation. The creation of a wealth management unit at La Banque Postale with the merger of La Banque Postale Gestion Privée and BPE in 2015 illustrates the desire to accelerate its expansion in the high-net-worth customer segment, primarily in the areas of wealth and tax engineering and tailored management. The wealth management services offer is growing thanks to the support of La Banque Postale Group's entities specialising in asset management, insurance and personal protection;
- ▶ offering **financially vulnerable customers** tailored solutions and continuing its long-term General Interest Mission – banking accessibility. La Banque Postale is pursuing its commitment to banking solutions for vulnerable customers, in particular through the Livret A regulated savings account, but also through banking and budget support and support for budgetary and financial education.

La Poste Network's banking priority has been materialised through the introduction of shared sales teams for La Banque Postale and La Poste Network. The gradual expansion and development of Network stakeholders' responsibilities allows them to devote themselves entirely to developing banking activities for private

customers and to take quick and high-quality commercial decisions, in close proximity to customers.

Continuing to build the bank for businesses and the territories

Craftspeople, large companies, shopkeepers, associations, mutual insurance bodies, hospitals, social housing organisations, local authorities, etc. all contribute at their own level to life and prosperity in the territories by fostering their local presence with their customers, their members and citizens.

Using its nationwide network, La Banque Postale is supporting the projects of all of these stakeholders and guiding them in the banking management of their activities. It intends to increase its expertise for the benefit of stakeholders in the economy, building on its banking expertise, combined with its knowledge of local issues and its public service values. In order to propose offers suited to every customer's requirements, La Banque Postale relies in particular on its Corporate and Territorial Development Department, whose commercial activity is organised to allow it to be as close as possible to customers.

This work is focused on:

- ▶ conquering the professionals market: La Banque Postale is deploying its Banque des pros programme, which aims to provide professionals (craftspeople, VSEs, shopkeepers, etc.) with the most appropriate solutions. Although La Banque Postale is positioning itself in this market as a challenger to the leading banking groups that dominate it, it is able to build on its historical and local relationship with professionals who are often customers on a personal basis;
- ▶ consolidating positions in the **local public sector**: in 2018, after six years of supporting the territories (regions, departments, local authorities, consortia, municipalities, etc.), La Banque Postale is, and intends to continue to be, the benchmark bank for the local public sector and the leading lending bank on this market;
- ▶ developing **large corporate and institutional customer accounts**: La Banque Postale is gradually consolidating its position with companies as a recognised stakeholder in cash flow and cash management banking and offers a comprehensive range of banking products and services in the areas of cash flow management, asset management, market products and financing.

This position was strengthened further with the creation of a Corporate and Investment Banking (CIB) Division in 2018. The CIB supports the profitable growth goals of the Retail Banking business with a range of market and financing products and services which meet the expectations of customers and reflect the values of La Banque Postale. It introduces a bank-corporate relationship

based on partnerships and the joint development of solutions, by making available to large companies and institutions a team of specialised key account managers entirely dedicated to developing tailored services in accordance with La Banque Postale's business lines and those of its subsidiaries.

1.3.2 The levers of the development plan

This development plan is based on a solid balance sheet and the planned, gradual integration of an internal La Banque Postale risk assessment method. Based on better knowledge of customers and risks, it will allow La Banque Postale to manage and control the risks related to its activities more effectively. It will be part of the La Banque Postale's various management processes, product pricing, loan granting, collections and the equity capital management process.

The development plan is also based on the major transformation programmes intended to serve La Banque Postale's commercial goals. These include:

- ▶ the *Cap Client 3.0* programme which offers a more ergonomic and smart workstation that allows advisors to use more fluid banking applications and processes in order to better prepare for their interviews, refine their business cases, provide the best recommendations at the right time for their customers and, as a result, improve sales efficiency at all levels of the banking relationship;
- ▶ the *Excello* programme which enabled the transformation of Financial Centre activities (La Banque Postale's remote front office, and middle and back offices) in order to increase the effectiveness of the Financial Centres (professionalisation, development and specialisation of teams; streamlining of processes; development of tools for greater flexibility, efficiency and productivity);
- ▶ the *Concerto* programme is also a major renovation programme for all of the "core banking" information systems. Among other things, it has enabled the servicing of the development needs of La Banque Postale's business customers by providing modern processing chains for the main banking transactions (holding of company accounts, loans, flexible pricing, etc.). It also enables La Banque Postale to position itself as an integrator for new retail and bank producer networks. The last steps, expected in 2020-2022 consist of sophisticated business account management functionality;
- ▶ the *Excellence 2020* re-engineering of La Banque Postale's main processes capitalises on the three programmes above. Given the goals of resolving customer problems during the first contact and of strengthening operating effectiveness, most of the transactions previously only done in Financial Centres have been moved to the Cap Client workstation. A significant portion of the transactions have also been provided to customers (for example, the management of payment methods). With *Excello*, non-strategic activities have been outsourced (cheque processing) or automated. The first significant steps were taken in 2019 to provide La Banque Postale's customers with an increasingly real-time view on their banking transactions and accounts. Additional improvements are planned for 2020 and 2021. This transformation reflects a commitment to supporting

and providing information to customers in line with their life events and needs, by capitalising on digital channels.

The development plan also focuses on identifying future business activities and training La Banque Postale and La Poste Network stakeholders in these new business activities. This cross-entity project led to the creation of the École de la Banque et du Réseau (EBR) in 2014. It underpins the Group's strategic and digital transformation by supporting the career development of the 65,300 employees of Financial Services and La Poste Network employees.

This innovative, large-scale training system is intended to provide La Banque Postale employees with the opportunity to learn more about the banking business and the skills of tomorrow to better serve customers. It supports the forward-looking vision of the Company and innovates *via* new practices and training content.

In 2019, the EBR provided almost 314,000 training days for La Banque Postale, Financial Services, and La Poste Network employees, and rolled out major courses aimed at all the managers of the priority banking network and at expanding and delegating Home Loans for banking advisors and managers.

In order to succeed with its ambitious development plan, La Banque Postale is activating every lever at its disposal:

- ▶ service quality, through the quality of the customer experience and effective multi-channel management, a lever for customer satisfaction and loyalty;
- ▶ improved effectiveness of La Banque Postale-La Poste Network, through the development of the Network's banking culture and by optimising tools, processes and organisation;
- ▶ accelerated digitalisation of the customer experience and of offerings with, notably, the launch Ma French Bank, a 100% mobile bank;
- ▶ innovation, *via* the creation of a dedicated ecosystem driven by the platform58 incubator;
- ▶ development of the non-life bancassurance division *via* improved management of its business model;
- ▶ improved efficiency of the Financial Centres, by building an agile and successful model around an innovative social model;
- ▶ streamlining of head office and support functions and optimising of cross-entity processes with other La Banque Postale entities.

Through all of these actions, La Banque Postale has proven, and will continue to prove, that by offering its customers a range of banking and insurance products and services based on simplicity, accessibility and transparency at the right price, it gives priority to development in line with changing habits, and that it is entirely dedicated to customer satisfaction.

1.3.3 Merger of La Banque Postale with CNP Assurances

The La Banque Postale and CNP Assurances merger was finalised on 4 March 2020. The Caisse des dépôts and the State each brought their contributions in CNP Assurances, of 40.87% and 1.11%, to Groupe La Poste, which then contributed the securities to La Banque Postale. La Banque Postale now has a 62.13% holding in CNP Assurances.

The merger created a top-notch public banking and insurance group by combining two major players with significant customer and insured bases. The operation is based on strong historical, capital and commercial ties:

- ▶ Le Groupe La Poste et CNP Assurances have been partners for several decades and have strengthened their ties over the years;
- ▶ La Banque Postale and CNP Assurances each make a notable contribution to their respective activities.

The merger drives commercial growth and the improvement of operational effectiveness *via*:

- ▶ the extension of commercial agreements between La Banque Postale and CNP Assurances for the long term;
- ▶ a strategic realignment of life insurance and lending opening up new growth opportunities;
- ▶ works to improve the operational effectiveness of CNP Assurances and La Banque Postale and of the level of La Banque Postale customers' ownership of CNP insurance products;
- ▶ over time, CNP Assurances will become the sole insurance product provider for the La Banque Postale Group.

In addition, the merger will enable:

- ▶ the implementation of shared strategic initiatives within the framework of the partnership between CNP Assurances and La Banque Postale (notably in the search for convergence in new technologies and innovation, and the coordinated digitisation of the customer experience);
- ▶ the strengthening of complementarities (the mutually profitable combination of insurance and banking expertise);
- ▶ and the reinforcing of La Banque Postale's equity, which is essential for the future development of our activities.

Nevertheless, the merger will maintain the identity and strategic pillars of CNP Assurances:

- ▶ continuation and development of the open and multi-stakeholder model (other bank networks/joint and mutualist world);
- ▶ the continued listing of CNP Assurances;
- ▶ preservation of management autonomy and of governance in line with the Afep/Medef Code with independent directors;
- ▶ ongoing development of CNP Assurances' international presence;
- ▶ continuation of CNP Assurances' financial policy targeting a high level of solvency;
- ▶ capacity to finance the organic development and external growth goals of CNP Assurances.

1.3.4 La Banque Postale's digital transformation

Over the past few years, the banking landscape has been deeply modified by the entry onto the market of new players able to create original forms of consumption of financial and insurance services. They offer their clients fully digital tools that are both simple and intuitive.

Thanks to technological progress in the area of data processing and buoyed by regulation that has favoured their emergence, these players have pushed the traditional bank insurers to accelerate their digital transformation. La Banque Postale launched this transformation very early on. The development of digital banking is one of the levers of its 2014-2020 development plan. The digitalisation of La Banque Postale's processes was already well under way to adapt its tools to its customers' new uses. In 2019:

- ▶ La Banque Postale pursued the digitalisation of its services to meet its customers' expectations in terms of autonomy and personalisation. It enables them to benefit from new services while meeting data security and confidentiality requirements;
- ▶ the sales teams have high-performance tools that make it easier for them to provide advice to customers and monitor their situation.

La Banque Postale launched Ma French Bank, a 100% mobile bank for the most digitalised customers on 22 July 2019. Customers can open a bank account with no resource requirements online or in 2,000 post offices. Ma French Bank enables account management and transaction viewing in real time. Ma French Bank, a credit institution approved by the ECB, also provides savings and credit services with the option of opening a revolving line of credit in real time. It is based on an open platform and offers many innovative banking services like crowdfunding with KissKissBankBank. Ma French Bank is based on the expertise of La Banque Postale, of its

subsidiaries (consumer loans, insurance and electronic money) and on those of Groupe La Poste.

In addition, important steps have already been taken to meet future challenges with:

- ▶ acquisitions of fintechs that enhance its range of innovative services, responding to a real need of customers and sharing the La Banque Postale's commitment values: KissKissBankBank & Co in 2017, Goodeed in 2018;
- ▶ partnerships with "full-digital" players, rounding out La Banque Postale's offer: Plussimple.fr in the area of insurance for professionals, for example;
- ▶ platform58, La Banque Postale's incubator is a start-up support programme which provides mentors and experts and a place for innovation and market monitoring which promotes interaction between start-ups and the partners and employees of La Banque Postale (15 start-ups incubated, 4,900 employees hosted).

This transformation represents a significant human challenge for La Banque Postale, which it is preparing for by:

- ▶ training employees for the arrival of these new technologies in their daily tasks;
- ▶ adapting its human resources policy to take account of the changes in the banking and insurance businesses and identifying the talents it will need in the coming years.

The building blocks of this process are substantial human, technological and financial investments that La Banque Postale commits to in the aim of providing the best possible quality of service to its customers.

1.4 PRESENTATION OF THE BUSINESS UNITS AND BUSINESS LINE

The economic and regulatory environment in which La Banque Postale carries out its activities is described in chapters 3 and 4.

1.4.1 Retail Banking

Retail Banking, La Banque Postale's long-term business, offers banking products and services for private individuals. La Banque Postale also works with companies, the social economy and the local public sector. It offers its customers a complete and responsible range of bank and insurance products and services.

Key figures

10.5 million active individual customers⁽¹⁾
9,430 advisors
€5.2 billion in net banking income
€324.1 billion in savings outstandings
€102.4 billion in loan outstandings

In 2019

- Launch of "Ma French Bank" the 100% digital bank on sale in over 2,000 post offices. Ma French Bank reached 100,000 customers at the end of 2019.
- Launch of the BPE Emeraude multi-asset life insurance policy insured by CNP Assurances.
- Accelerated marketing of high-end cards with the implementation of personalised caps.
- Launch of the new Espace Carte in the mobile app to manage all payment card services. The offering, which is the most complete one on the market, received media recognition.
- Launch of a relationship programme for La Banque Postale's high-net-worth customers, the Pass Patrimoine, a special value-added advisory services offering available online and from 1,000 advisors specialised in wealth management.

PRIVATE INDIVIDUAL CUSTOMERS

La Banque Postale offers a complete range of products and services to private individuals for deposits, payment methods, savings, loans (home and consumer) and insurance products.

La Banque Postale supports its customers' projects. Home loans and consumer loans have increased significantly. Their outstandings increased by 5.5% and 5.2% over a year, respectively.

It is also active with high-net-worth customers. High-net-worth customers, which number close to 622,400, trust La Banque Postale to build, grow and manage their assets.

La Banque Postale renewed and expanded its offering for customers 16 to 25 with its #TalentBooster offering.

In 2019, La Banque Postale froze banking fees for all customers in addition to the special measures for financially vulnerable customers (see box below).

Lastly, on 22 July 2019, La Banque Postale launched Ma French Bank, its 100% digital bank to meet new banking uses. Accounts can be opened online or in one of the 2,000 post offices selling the product. Ma French Bank had over 100,000 customers at the end of 2019. This number reflects La Banque Postale's goal of democratising mobile banking throughout the country and of meeting the needs of a young clientèle seeking a simple and appealing offering.

10.5 million active individual customers⁽¹⁾
€61.9 billion in sight deposit outstandings (+6.1%)
€82.7 billion in ordinary savings outstandings (+0.8%)
€63.8 billion in home loan outstandings (+5.5%)
€5.2 billion in consumer credit outstandings (+5.2%)

(1) According to the new segmentation applied in 2019, active individual customers correspond to "Core Clientele" individual customers, including equipped committed and non-committed customers. The concept of commitment is tied to the domiciliation of income, the concept of equipment and the holding of several product families.

SUPPORT FOR FINANCIALLY VULNERABLE CUSTOMERS

La Banque Postale supports financially vulnerable customers at all times. The *Observatoire de l'inclusion bancaire* ("Observatory of Banking Inclusion") counted 3.4 million financially vulnerable customers at the end of 2018. La Banque Postale provided services to 1.6 million in 2019, *i.e.* about half.

La Banque Postale capped monthly incident banking fees for 1.6 million vulnerable customers at €25 in 2019 and promoted the *Simplicité* account option for this group at the attractive rate of €2.30 a month. Holders of the product benefited from a cap on incident banking fees of €20 and €200 a year. At the end of 2019, the "Simplicité" account represented 112,400 customers.

THE BANKING ACCESSIBILITY FUNCTION

The legislator entrusted La Poste with four public service missions including banking accessibility, which La Poste implements through its La Banque Postale subsidiary. This banking accessibility mission guarantees universal and non-discriminatory access to free, simple and indispensable banking services for people who are excluded from traditional banking services and who have specific needs.

La Banque Postale's *Livret A* account is the key feature underpinning this accessible banking mission, because it is not only universal nature, but also secure and easy to both access and use. The mission entails obligations for La Banque Postale in terms of the distribution and operation of the *Livret A*, notably the obligation to open an account for anyone who makes a request, the option to withdraw or deposit cash starting at €1.50 and the authorisation of certain essential transactions (notably, the payment of social security benefits, direct debits for subsidised housing rents, water, gas, and electricity bills, etc.).

To carry out this mission, La Poste et La Banque Postale provide a reception and advisory system throughout the country which guarantees real accessibility. In addition to this system, they also developed a support ecosystem consisting of a wide range of services – translation, budget advice, agreements with non-profits – to facilitate the social and financial integration of individuals who have no access to banking and/or whose situation limits their access to traditional banking.

This mission and its compensation are reported to the European Commission as a service in the general economic interest. On 24 October 2017, the European Commission approved the public service compensation granted to La Banque Postale in order to guarantee accessibility *via* *Livret A* banking.

Based on the observation of behaviours and uses, La Banque Postale estimates the number of customers in the scope of banking accessibility who benefit directly or indirectly from this mission at 1.5 million, and, with their families, at nearly 5 million.

LEGAL ENTITIES

With 720 customer managers in 43 business centres, a local financing department and a team dedicated to corporate accounts, La Banque Postale is continuing to grow and provide its expertise to all economic players for the benefit of local economic development around three strategic axes:

- ▶ a multi-market and multi-product offering;
- ▶ positioning as the leading bank for corporate accounts and for SMEs and ISEs;
- ▶ a local commercial relationship at the heart of the regions with companies and the local public sector.

THE LOCAL PUBLIC SECTOR

In line with its diversification strategy, La Banque Postale is continuing to grow its financing of the local public sector. La Banque Postale is the leading lender to local communities and public hospitals. To support the efforts of local communities to promote environmental transition, La Banque Postale launched "green loans" in 2019, which are granted based on specific sustainability criteria.

La Banque Postale works in partnership with SFIL/CAFFIL *via* the "Originate to distribute" mechanism, with CAFFIL carrying the

medium- and long-term outstandings transferred to it by La Banque Postale on its balance sheet. The outstandings transferred to CAFFIL reached €4.2 billion in 2019. CAFFIL is wholly-owned by SFIL, in which the State holds a 75% stake, Caisse des dépôts 20% and La Banque Postale 5%.

On 9 October 2019, the State, Caisse des dépôts and La Banque Postale announced that they had signed an agreement in principle for the purchase by Caisse des dépôts of all of La Banque Postale and the State's holdings in the capital of SFIL.

SOCIAL HOUSING LANDLORDS

La Banque Postale directly finances seven social housing landlords out of ten: the latter manage 90% of all social housing (4.6 million

units). La Banque Postale offers a number of products ranging from cash flow management to financing solutions.

SOCIAL AND SOLIDARITY ECONOMY PLAYERS

La Banque Postale is a legitimate social economy partner with one out of every four non-profits as a partner. Its specialised advisors in business centres provide support to 5,000 of the main non-profits

(foundations, cultural sector, private education, charities and social non-profits). Smaller non-profits have access to services in the post offices and over the telephone.

COMPANIES

La Banque Postale is continuing to develop the corporate financing market with a strong presence in major companies, which account for 50% of CAC 40 companies, 53% of the SBF 120, and half of the market for supplementary pensions. La Banque Postale rounds out its services to companies *via* its Corporate and Investment Banking division. In addition, it is developing its factoring, leasing and other financing services for Legal Entities through its La Banque Postale Leasing & Factoring subsidiary.

Using the know-how it has accumulated over the years, La Banque Postale is also winning over SMEs and ISEs. Its loan outstandings increased by 60% in 2019.

With respect to the professional market, La Banque Postale has based its reputation on the quality of its service. Over 450 “pro” customer managers provide support to entrepreneurs.

SOFIAP, 66% held by La Banque Postale and 34% by SNCF since 2014, mainly provides mortgages to SNCF employees and regulated mortgage loans to ENGIE employees.

€23.2 billion in corporate loan outstandings (+25.4%)

€10.2 billion in outstanding loans to the local public sector (+17.8%)

► **354,000 legal and local public entity customers**

1.4.2 Insurance

La Banque Postale's insurance business (excluding CNP Assurances) has 706 employees. La Banque Postale is present in life insurance, personal insurance and property and liability insurance. It is aimed at individuals as well as professionals and non-profit associations.

Key figures

A portfolio of 4.6 million policies

€251 million in net banking income

€126.7 billion in life insurance outstandings

In 2019

► Completion of significant steps in the merger project between La Banque Postale and CNP Assurances opening the way to the full consolidation of CNP Assurances on 4 March 2020.

► Announcement of the buyout of Groupama's 35% stake in La Banque Postale Assurances IARD.

► Launch of the new supplementary group healthcare insurance for professionals with +Simple assurtech, based on a digitalised customer experience.

LIFE INSURANCE

La Banque Postale Group is a shareholder and distributor of CNP Assurances and markets its life insurance and capitalisation products. The distribution conditions for life insurance products are defined in business agreement renewed in March 2016 through the end of 2025. The scope of application of the agreement was expanded to the BPE private banking subsidiary and also includes a partnership for group borrowers insurance for home loans. In 2019, La Banque Postale accounted for 25.5% of the revenue of CNP Assurances. Likewise, CNP products make up most of the life insurance products marketed by La Banque Postale.

La Banque Postale offers segmented life insurance and retirement solutions in order to better meet the requirements of:

- ▶ general public customers with products accessible to most people through suitable evolving formulas;
- ▶ high-wealth customers with flexible, customised policies, specifically designed for the top-of-the-range market.

€126.7 billion in life insurance outstandings, + 2.0%

PERSONAL RISK INSURANCE

La Banque Postale Prévoyance, a wholly-owned subsidiary of La Banque Postale, offers a full range of personal risk insurance products covering all needs in terms of protection from the uncertainties of life and offering a broad range of services completing financial services.

With over 280,000 new policies in 2019, La Banque Postale Prévoyance had nearly 2.7 million contracts in its portfolio at the

end of 2019, up slightly compared to the end of 2018. La Banque Postale Prévoyance is a leading player in the French personal risk insurance market.

280,000 new contracts

2.7 million contracts in its portfolio, + 0.2%

HEALTHCARE

La Banque Postale Assurance Santé is a subsidiary held 51% by La Banque Postale, 35% by La Mutuelle Générale and 14% by Malakoff Médéric.

With over 69,000 new policies in 2019, La Banque Postale Assurance Santé had over 200,000 contracts in its portfolio at the end of 2019, an increase of 4.4% in volume over one year. La Banque Postale Assurance Santé reflects the success of the deployment of a healthcare offering within La Banque Postale.

69,000 new policies, + 8.1%

200,000 contracts in its portfolio, + 4.4%

PROPERTY AND LIABILITY INSURANCE

La Banque Postale Assurances IARD is a subsidiary of La Banque Postale and of Groupama. This subsidiary offers individuals a range of property insurance products. The core of the product line is automobile, comprehensive home and legal protection insurance offered to customers *via* a multi-channel distribution system (telephone, internet and post offices).

In a very competitive and low-growth market, La Banque Postale Assurances IARD had nearly 1.8 million contracts in its portfolio at the end of 2019, ten years after its launch, growing 4.2% in volume over one year.

In December 2019, La Banque Postale and Groupama announced the signature of a non-binding MoU for the acquisition of Groupama's holding in La Banque Postale Assurances IARD by La Banque Postale and the continuation of their cooperation in legal protection insurance and assistance. The operation will take effect in the first half of 2020, subject to receiving the required authorisations from the competent regulatory authorities.

1.8 million contracts in its portfolio, +4.2%

1.4.3 Asset management

This business groups together the third-party asset management companies that provide the expertise that enables La Banque Postale to offer its customers – private individuals, legal entities and institutions – a full range of savings and investment products covering traditional financial markets as well as more diversified asset classes. Asset management includes the activities of La Banque Postale Asset Management (LBPAM) and the property management activities of AEW Ciloger.

Key figures

€155 million in net banking income

€232 billion in assets under management

In 2019

- Announcement of the extension of the industrial partnership between La Banque Postale and Groupe BPCE, in particular in asset management with the merger of the primarily insurance-related euro fixed-income management activities of Ostrum Asset Management and of LBPAM on a shared platform.
- LBPAM is now the leading generalist manager in France by number of SRI-labelled funds with 53 labelled funds as of

31 December 2019. 60% of LBPAM assets under management are now under responsible management.

- LBPAM ISR Actions Europe was recognised by Climetrics as one of the ten best European equity funds for its climate performance.
- AEW had an exceptional year in terms of raising funds at nearly €4.5 billion, i.e. a 60% increase compared to 2018.

LBPAM AND TOCQUEVILLE FINANCE ASSET MANAGEMENT

La Banque Postale Asset Management (LBPAM) is a subsidiary held 70% by La Banque Postale, 25% by Aegon Asset Management and 5% by Malakoff Médéric. With €230 billion in assets under management at the end of 2019, up by 6.2% over one year, LBPAM ranked fifth among French management companies.

LBPAM provides a wide range of savings products for private individuals and solutions for institutional investors. It was the first European management company to make a public and civic commitment to transferring 100% of its assets under management to responsible management by 2020.

Tocqueville, a LBPAM subsidiary since 2018, specialises in conviction management of European equity funds distributed in France and internationally to private individuals and institutional investors. At the end of 2019, Tocqueville had €1.8 billion in assets under management (excluding LBPAM delegated management), up 9.5% over one year.

In June 2019, La Banque Postale and Groupe BPCE announced a project to merge the primarily insurance-related euro fixed-income management activities of Ostrum Asset Management and LBPAM on a shared platform. With approximately €435 billion in under management (based on assets as of 30 June 2019), the goal of the project is to create a leading insurance product manager in Europe

which is entirely compliant with socially responsible investment (SRI) principles. In December 2019, La Banque Postale and Groupe BPCE completed a significant step of the project by defining its main principles and procedures. The transaction should be completed during the second half of 2020.

The joint entity will be 55% held by Natixis (through its Natixis Investment Managers subsidiary) and 45% by La Banque Postale (through its LBPAM subsidiary) to ensure balanced governance. La Banque Postale, through its LBPAM subsidiary, held 70% together with minority shareholders, will continue to develop a business model based on multi-specialist management.

€230 billion in assets managed by LBPAM, + 6.2%

53 funds obtained the public SRI Label, placing LBPAM in 1st place by number of labelled funds with 60% of assets under management in responsible investment at the end of 2019

€1.8 billion in assets managed by Tocqueville, excluding LBPAM delegated management (+ 9.5%)

AEW CILOGER PROPERTY MANAGEMENT

Within AEW S.A. (a subsidiary 40% held by La Banque Postale together with Natixis Investment Managers, of the BPCE Group), AEW Ciloger is the regulated management company for all of the institutional and general public activity of the AEW group in France. It has special expertise in creating and managing funds and property real estate mandates on behalf of institutional clients and funds intended for the private individual clientèle.

AEW Ciloger manages 23 SCPI (REIT – Real Estate Investment Trust) and 2 general public OPCIs (Collective Real Estate Placement Body) and provides support to 95,000 partners in their property investments. The management company is among the top five players in intermediated property savings in France and is

developing expertise in all real estate asset management on behalf of third parties.

AEW Ciloger distributes its products through three main banking networks (Caisse d'Épargne, Banques Populaires and La Banque Postale), the main insurance platforms and a selection of partner wealth management advisors.

At the end of 2019, AEW Europe's assets under management totalled €32.1 billion, i.e. growth of 5% compared to 2018.

€32.1 billion in assets managed by AEW Europe, + 5%

1.5 2019 HIGHLIGHTS

JANUARY

eZyness, La Banque Postale's payment and electronic money company chose TagPay to modernise its banking services offering.

La Banque Postale launched its new marketing campaign, reaffirming its uniqueness and its "a bank that works in the interest of the community at large" signature.

La Banque Postale launched platform58, its fintech and assurtech incubator.

FEBRUARY

As part of its programme of benefits for families, La Banque Postale announced the extension of its partnership with Maxicours.com until 2020.

LENDOPOLIS, the La Banque Postale subsidiary specialising in crowdfunding, successfully completed its first collection of funds in Guadeloupe for QUADRAN Groupe Direct Énergie, raising €500,000 in less than two months.

LBPAM ISR Actions Europe was recognised by Climetrics as one of the ten best European equity funds for its climate performance.

MARCH

La Banque Postale launched Apple Pay, a simple, quick, secure and confidential way to make payments.

La Banque Postale Assurance Santé and the +Simple assurtech launched the first digital platform for La Banque Postale's professional customers.

APRIL

La Banque Postale committed to supporting the purchasing power of entrepreneurs by offering them an account with under €10.

La Banque Postale and La Banque européenne d'investissement signed a framework agreement to promote the development of renewable energy sources.

La Banque Postale successfully issued its first green bond, another step in favour of energy transition. It is a senior non-preferred debt in the amount of €750 million, with a 10-year maturity and a 1.375% coupon.

MAY

La Banque Postale selected the fintech company Sapiendo-Retraite, a recognised specialist in retirement consulting, to provide a dedicated service specifically for retirement.

La Banque Postale increased its equity by €800 million following the conversion into shares of AT1 bonds issued in 2013 and held entirely by La Poste.

La Banque Postale launched an issue of green loans intended for local communities, as part of its partnership with SFIL.

JUNE

The BPCE Group and La Banque Postale entered into discussions to deepen and extend their industrial partnership, in particular in asset management by bringing together the primarily insurance related euro fixed-income management activities of Ostrum Asset Management and LBPAM on a shared platform.

The State, Caisse des dépôts, La Poste and La Banque Postale signed a non-binding memorandum of agreement for a project to create a major public financial unit.

La Banque Postale terminated the shareholders' agreement for CNP Assurances and obtained from the AMF an exemption from the obligation to launch a takeover bid on the securities of CNP Assurances.

LBPAM continued to develop private debt and announced three new infrastructure, real estate and corporate funds for 2019, marking the consistent implementation of its GREaT (Governance, Energy and Economical Transition and Territories) extra-financial analysis methodology for all asset classes.

In line with its commitment to transfer 100% of its outstandings to responsible management by 2020, LBPAM has taken a position on energy transition and announced an innovative policy to exclude coal.

"L'Envol, La Banque Postale's campus" renewed its partnership with the Ministry for National Education and Youth.

LENDOPOLIS, the La Banque Postale subsidiary specialising in crowdfunding raised over €1 million for the Nersac solar power plant in the Charente department.

La Banque Postale launched the Pass Patrimoine for its high-net-worth customers, a value-added advisory services offering available online and from 1,000 advisors specialised in wealth management.

JULY

The State, Caisse des dépôts, La Poste et La Banque Postale signed a memorandum of understanding opening the way for the full consolidation of CNP Assurances in early 2020.

BPCE Group and La Banque Postale confirmed that they had made progress in their discussions to extend their industrial partnership, with a target of completion in the first half of 2020.

La Banque Postale successfully issued its first Senior Preferred bond in the amount of €750 million with a 7-year maturity and a 0.25% fixed coupon.

Lastly, La Banque Postale launched Ma French Bank, its 100% mobile bank to meet new banking uses. It provides many innovative, community and solidarity services in its application.

eZyness offered Alipay, a Chinese mobile payment method to shopkeepers in partnership with Monext, a payment player active in France and Europe.

La Banque Postale signed a partnership agreement with one of the main card payment networks in the world: Discover® Global Network, the Payments Division Discover Financial Services.

AUGUST

A month after its official launch, Ma French Bank, La Banque Postale's 100% mobile bank, launched its marketing campaign for the general public.

SEPTEMBER

At the United Nations Annual General Meeting in New York, Rémy Weber, Chairman of the Executive Board of La Banque Postale, signed the "Principles for Responsible Banking", a letter in support of a responsible banking sector, a global initiative launched by UNEP FI. Just a day after their launch, La Banque Postale announced its commitment to the "Collective Commitment to Climate Change".

During the Congrès HLM de l'Union sociale pour l'habitat held in Paris, La Banque Postale reaffirmed its support for social housing landlords by signing five new agreements with them.

LBPAM continued its commitment to responsible management and announced the SRI labelling of 20 open-end and dedicated funds. LBPAM now has 40 funds with the State SRI label seal, making it the leading generalist manager in terms of the number of labelled SRI funds.

OCTOBER

The State, Caisse des dépôts and La Banque Postale announced the signature of a memorandum of agreement for the acquisition of SFIL by Caisse des dépôts.

La Banque Postale confirmed its commitment to responsible finance and adopted the "Equator Principles", an international risk and environmental management framework for project financing.

To facilitate the access of artisans to banking services, La Banque Postale and CMA France renewed the Club Partenaires CMA France partnership agreement.

NOVEMBER

La Banque Postale successfully issued its first Additional Tier 1 bond in the amount of €750 million.

During the *Salon des Maires et des Collectivités Locales* 2019, La Banque Postale and Syctom, the metropolitan household waste agency, signed a contract for the financing of the *Unité de Valorisation Énergétique* (UVE) (waste-to-energy facility) in Ivry/Paris XIII in the amount of 75 million.

During the 2019 *Salon des Maires et des Collectivités Locales*, La Banque des Territoires (CDC) and La Banque Postale committed to providing support to the Cœur d'Essonne Agglomération and signed a financing contract in the amount of nearly €10 million for inter-municipal planning and modernisation.

La Banque Postale, which is committed to energy transition, is financing Voltalia's Savane-des-Pères project in French Guiana. The project combines a 3.8 MW solar power plant with an innovative storage system using batteries.

DECEMBER

Via a decision of 30 December 2019, the Competition Authority announced its approval for La Banque Postale's acquisition of CNP Assurances and that of Groupe La Poste by Caisse des dépôts.

La Banque Postale and Groupe BPCE took a significant step toward deepening and extending their industrial partnership. The agreements involving CNP Assurances (extension of the commercial agreements and shareholders' agreement) were signed and the main terms of the asset management merger project were defined.

La Banque Postale and Groupama announced the signature of a non-binding memorandum of understanding for the acquisition by La Banque Postale of Groupama's 35% holding in La Banque Postale Assurances IARD and the extension of their cooperation in the fields of legal protection insurance and assistance.

Four months following its public launch, Ma French Bank had over 100,000 customers and it confirmed its goal of reaching over a million customers by 2025.

In order to support its high-net-worth customers' savings diversification, BPE, La Banque Postale's private bank, launched its new Emeraude multi-asset life insurance policy. BPE Emeraude is insured by CNP Assurances and offers three management options to personalise the customer contract according to their investor profile and their objectives.



PRESENTATION OF LA BANQUE POSTALE GROUP

CORPORATE GOVERNANCE

2

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2.1 REPORT OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE

This report was drawn up by the Supervisory Board at its meeting on 26 February 2020, in accordance with Article L. 225-68 of the French Commercial Code.

2.1.1 Corporate Governance Code applied

La Banque Postale's approach to corporate governance is based on the Afep/Medef Code of Corporate Governance for listed companies (available at www.afep.com).

La Banque Postale complies with most of these recommendations, subject to the distinctive nature of its shareholder base, and to the application of the regime instituted by order no. 2014-948 of 20 August 2014 relating to the governance and share capital transactions of companies with public shareholdings, and in accordance with Article 3 of the decree of 9 August 1953, as amended by the decree of 26 July 2012, relating to the French State's control of the remuneration of the managers of public companies, which notably provides for:

- ▶ a significant number of employee representatives on the Supervisory Board, i.e. one-third of the Board members;

- ▶ where applicable, the presence on the Supervisory Board of one member designated by the French State and/or members appointed by the General Meeting upon proposal by the State;
- ▶ a cap on the remuneration of corporate executive officers and the approval by the Minister of the Economy of the amount of remuneration allocated to members of the Supervisory Board, remuneration for various activities and benefits in kind for corporate officers, as well as the components of remuneration, compensation or benefits due or likely to be due as a result of the termination of their duties, a change in their duties, or subsequent thereto.

Application of the Afep/Medef Code

The recommendations of the Code are applied, except for the following:

AFEP/MEDEF CODE RECOMMENDATION

Recommendation 8.3. Independent directors

"In controlled companies, independent directors should account for at least a third of Board members. Directors representing the employee shareholders and directors representing employees are not taken into account when determining these percentages."

COMPANY PRACTICES COMMENTS

Company practices:

In 2019, 30% of the Board was composed of independent members; members representing employees were not counted in establishing this percentage.

Comments:

This difference is explained by the Company's specific situation, being held by a single shareholder. The threshold of 33% of independent members is attained if the representative designated by the State, whose presence on the Board is related to order no. 2014-948 of 20 August 2014, is not taken into account.

Recommendation 13.1. Duration of terms

"The duration of directors' terms of office, set by the Articles of Association, must not exceed four years, so that the shareholders can express their wishes regarding these terms of office with sufficient frequency."

Company practices:

The term of office of the members of the Supervisory Board is five years.

Comments:

The provisions of law no. 83-675 of 26 July 1983, relating to the democratisation of the public sector, required that the Company has terms of office lasting five years. In 2016, at the time of the switch to the regime of order no. 2014-948 relating to the governance and share capital transactions of companies with public participation, the Company considered that this term of office allowed the Board to operate efficiently. This decision was supported by the fact that the Company is held by a single shareholder, where the term of office of the directors is five years.

AFEP/MEDEF CODE RECOMMENDATION	COMPANY PRACTICES COMMENTS
Recommendation 13.2. Staggering of terms “Terms should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors.”	Company practices: The terms of office of all members end on the same date, after a five-year period. Comments: The provisions of law no. 83-675 of 26 July 1983 relating to the democratisation of the public sector, required the Company to reappoint all members of the Supervisory Board at the same time. In 2016, at the time of the switch to the regime of order no. 2014-948 relating to the governance and share capital transactions of companies with public shareholdings, the Company considered that not staggering the terms of office of the Board members did not jeopardise the proper functioning of the Board. Furthermore, this decision does not prevent members of the Supervisory Board from being regularly reappointed during their term of office.
Recommendation 15.1 Audit Committee: number of independent directors “The share of independent directors on the Audit Committee must be at least two-thirds”	Company practices: In 2019, three of the six Financial Statements Committee members were independent, not counting the member representing employees. Comments: Of the eight members comprising the Financial Statements Committee, two members represent the employees and another represents the French State. The five other members are Supervisory Board members appointed by the General Meeting, three of which have independent status; i.e. a total of 60% of the Financial Statements Committee members are independent, excluding the representatives of State employees. The two other members were appointed for their accounting and financial expertise.
Recommendation 19. Code of ethics of the Board members Holding of shares by the members of the Board “[...] In the absence of legal provisions to the contrary, a director must personally be a shareholder and, by virtue of the provisions in the Articles of Association or the internal regulations, hold a minimum number of shares that is significant in relation to the attendance fees received. If he or she does not hold these shares when assuming office, he or she should use his or her attendance fees to acquire them. The director will notify the corporation of this information, which will publish it in its annual report”.	Company practices: The members of the Supervisory Board are not required to be shareholders in the Company. Comments: The fact that members of the Supervisory Board do not hold a significant number of shares is explained by the specific nature of the Company’s shareholding structure. All of La Banque Postale shares are entirely* held by its parent company, La Poste, and cannot be traded on a regulated market. As La Poste does not wish to open up the share capital, holding shares would not make sense with regard to the philosophy of the Afep/Medef Code in the absence of any market for these shares.
Recommendation 19. Conflicts of interest “The director is under the obligation to inform the Board of any actual or potential conflicts of interest and to refrain from taking part in discussions and from voting on the corresponding resolution”.	Company practices: In accordance with law, the members of the Board member bound by a related-party agreement cannot take part in the discussions or in any decisions on the authorisation requested. Furthermore, the Supervisory Board Member Charter states that, in the event of a temporary conflict of interest, the member of the Supervisory Board in question cannot take part in the discussions or in any votes on the matters in question. Comments: A charter on the management of conflicts of interest is currently being written, which will state that any member of the Supervisory Board involved in a conflict of interest will be required to refrain from participating in the discussions and taking part in the vote.
Recommendation 22. Corporate executive officers’ holding of shares “The Board of Directors defines a minimum number of registered shares that the Company officers must hold through to the end of their term of office. This decision is reviewed at least on each extension of their term of office.”	Company practices: The members of the Executive Board do not hold any shares in the Company. Comments: The fact that members of the Executive Board do not hold a number of shares is explained by the specific nature of the Company’s shareholding structure. All of La Banque Postale shares are entirely* held by its parent company, La Poste, and cannot be traded on a regulated market. As La Poste does not wish to open up the share capital, holding shares would not make sense with regard to the philosophy of the Afep/Medef Code in the absence of any market for these shares.

AFEP/MEDEF CODE RECOMMENDATION

Recommendation 25.1

Ongoing information on remuneration

"All items referring to the current or potential remuneration of corporate officers are made publicly immediately following the meeting of the Board deciding them."

COMPANY PRACTICES
COMMENTS

Company practices:

The remuneration of Executive Board members is not made public immediately following the Board meeting.

Comments:

The remuneration of Executive Board members is subject to the approval of the Minister for the Economy and is made public in the present Registration Document. The Company shareholder is represented on the Compensation Committee and on the Supervisory Board of the Company and is, therefore, informed of all items related to the remuneration.

* With the exception of one share, held by the Chairman of the Board.

2.1.2 Functioning of the Company

Agreements referred to in Article L. 225-86 of the French Commercial Code

Agreements still in effect in 2019

DATE	PURPOSE
03.04.2015	Framework protocol agreement, replacing the preliminary protocol agreement of 18 February 2015 signed with Malakoff Médéric, La Mutuelle Générale and La Banque Postale Assurance Santé in relation to health insurance modified by amendment no. 1 of 17 January 2017.
25.03.2016	General framework protocol agreement with CNP Assurances, replacing the preliminary protocol agreement of 18 December 2015 regarding life insurance, capitalisation of credit insurance and personal risk insurance.
27.02.2018	The Company's commitment granting compensation to Rémy Weber, Chairman of the Executive Board, in the event of termination of his term of office.
27.02.2018	The Company's commitment granting compensation to Marc Batave, member of the Executive Board, in the event of termination of his term of office.

Agreements approved and signed in 2019

DATE	PURPOSE
31.07.2019	Binding memorandum of understanding signed between the French State, Caisse des dépôts et consignations, La Poste and La Banque Postale on the creation of a major public financial consortium serving the territories to create a public bancassurance unit around La Banque Postale and CNP Assurances and all associated documentation, notably the conclusion of a firm and irrevocable agreement between the State, CDC and the Company regarding the purchase by CDC of a stake in the company SFIL.
20.12.2019	Intermediary Shareholders' agreement relating to CNP Assurances between the French State, Caisse des dépôts et consignations, Sopassure and La Banque Postale.

Table of delegations granted by the General Meeting of Shareholders and their use in 2019

GENERAL MEETING	Purpose of the authorisation given to the Executive Board	Delegation validity period	Limit	Use in 2019
None	None	None	None	None

Conditions for shareholder participation in the General Meeting

The conditions governing shareholder participation in the General Meeting of La Banque Postale are defined in Article 30 of the Articles of Association, which are contained in Chapter 8 of this document.

Information in Article L. 225-37-5 of the French Commercial Code

In accordance with the provisions of Article L. 225-37-5 of the French Commercial Code, the following items should be disclosed and explained, where appropriate, when they are likely to have an impact in the event of a public offer.

The current capital structure of La Banque Postale makes it impossible for a takeover bid to be made on Company shares, which are not admitted for trading on a regulated market. However, reference is made below to the items listed in Article L. 225-37-5 of the French Commercial Code (this information is contained in the document with respect to other obligations) or is directly addressed below:

1. the capital structure of the Company: this information is provided in Chapter 1 "Overview of La Banque Postale Group";
2. statutory restrictions on the exercise of voting rights and the transfer of shares, or clauses in the agreements brought to the knowledge of the Company in application of Article L. 233-11: none (see chapter 8 "Articles of Association");
3. direct or indirect investments in the Company's share capital that it is aware of pursuant to Articles L. 233-7 and L. 233-12: none (see Chapter 1 "Overview of the La Banque Postale Group");
4. list of the holders of any securities conferring special control rights and a description of these rights: no security confers special control rights;
5. control mechanisms stipulated under any employee-shareholding scheme, where control rights are not exercised by the employees: not applicable. There is no employee-shareholding scheme;
6. shareholder agreements that the Company is aware of and which may result in restrictions on the transfer of shares and the exercise of voting rights: not applicable. La Banque Postale has only one shareholder;
7. rules applicable to the appointment and replacement of members of the Executive Board as well as the amendment of the Company's Articles of Association: this information appears in Chapter 8 "Articles of Association";
8. powers of the Executive Board, in particular to issue or buy back shares: this information appears in Chapter 8 "Articles of Association";
9. agreements entered into by the Company that would be altered or terminated in the event of a change in the Company's control, except where this disclosure would seriously jeopardise its interests, aside from the legal disclosure obligation: not applicable;
10. agreements stipulating compensation for the members of the Board or employees, if they resign or are made redundant without just cause or if their employment is terminated due to a takeover bid or exchange offer: a very limited number of employees (fewer than 10) is guaranteed end-of-contract compensation in their employment contract.

2.1.3 Corporate bodies

La Banque Postale is a French public limited company (*société anonyme*) with an Executive Board and a Supervisory Board wholly-owned by La Poste. The Company began its activity on 1 January 2006, after having received authorisation from the French Prudential Supervision and Resolution Authority (ACPR) on 2 December 2005.

The choice of a dual corporate governance structure allows a clear division between management and control powers, and guarantees the separation of these powers and the balance between them. Thus, there is a tangible separation between the supervision and management powers of the Executive Board and the control and decision-making powers exercised by the Supervisory Board.

La Banque Postale is subject to the French Commercial Code, the French Monetary and Financial Code, the decree of 3 November 2014 relating to the internal control of companies in the banking, payment services and investment services sectors subject to the French Prudential Supervision and Resolution Authority (ACPR), the regulations of the French Advisory Committee on Financial Legislation and Regulation (CCLRF) as a credit institution, and to order no. 2014-948 of 20 August 2014 relating to the governance and share capital transactions of companies with public shareholdings.

2.1.3.1 Supervisory Board

2.1.3.1.1 Operation of the Supervisory Board and its committees

Role of the Supervisory Board

The Supervisory Board holds powers granted notably by the French Commercial Code, the French Monetary and Financial Code, the

decree of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors supervised by the French Prudential Supervision and Resolution Authority (ACPR), and under the Company's Articles of Association.

The Supervisory Board deliberates upon major strategic, economic, financial and technological orientations of the Company, prior to the decisions of the Executive Board on these topics. It strives to create long-term value while considering the social and environmental stakes of its business activities.

It reviews the corporate governance plan and evaluates its effectiveness. It approves and regularly reviews the strategies and policies governing the taking, management, monitoring and reducing of risks. It determines the guidelines and monitors the implementation of the supervision systems and reviews the internal control activity and results. It ensures that a system to prevent and detect corruption and influence peddling is implemented.

It provides ongoing supervision of the way in which the Executive Board manages the Company and grants prior approval for transactions that the latter cannot carry out without its permission, in accordance with Article 14 of the Articles of Association (see chapter 8).

The Supervisory Board checks and audits the financial statements. It appoints the members of the Executive Board, sets their remuneration in accordance with the legal and regulatory requirements, and has the power to dismiss them, in accordance with Article 12 of the Articles of Association. It ensures that they implement a non-discrimination and diversity policy, notably with respect to the balanced representation of women and men within the executive bodies of the Bank.

Special Supervisory Board Committees

The Supervisory Board has five special committees (the Financial Statements Committee, the Risk Committee, the Appointments Committee, the Compensation Committee and the Strategy Committee) which help it in its tasks.

The missions of each of these committees, the criteria for selecting their members and their rules of operation are contained in the internal rules approved by the Supervisory Board. The rules are updated on a regular basis in order to maintain conformity with changes in legislation and regulations and with the recommendations and best practices of corporate governance.

The Board ensures that the members of its committees have the knowledge, competence and expertise required to carry out their duties.

Any Board deliberation relating to the area of expertise of one of the five committees is adopted after advice has been sought from that committee, whose Chairman shall inform the Board of its recommendations, suggestions and opinions.

The purpose of setting up these committees is not to delegate powers to them that are assigned to the Executive Board by law or by the Articles of Association, or to reduce or limit the Executive Board's powers.

The Executive Board makes available to the members of these committees, within a reasonable time period, all the items and documents enabling the committees to conduct their work and formulate their recommendations, suggestions or opinions.

The length of a committee member's appointment coincides with the length of their term of office as Board member.

Four out of five of the Supervisory Board Committees are chaired by an independent member.

The Government Commissioner attends the meetings of the committees.

Conditions governing the preparation and organisation of the tasks of the Supervisory Board

The Supervisory Board meets at least four times a year. Meeting agendas are approved by the Chairman depending on issues the Board is legally required to review or matters reported to the Board concerning the Bank's operations and strategic choices.

The Board members are invited to attend at least ten days before the meeting. At least six days before a Board meeting, the agenda, the draft minutes of the previous meeting and any other documents needed to support the agenda, are sent to the Board members.

Supervisory Board meetings last four hours on average.

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

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

Seminars, of at least a half-day, are provided in support of the Board's work, at least twice a year. All Board members are invited to attend.

Internal rules and Charter

The Supervisory Board has adopted internal rules, which govern and determine the preparation and organisation of its work. These internal rules are updated on a regular basis, in order to comply with legal and regulatory changes, as well as corporate governance recommendations and best practices. The Board has also adopted the "Supervisory Board Members' Charter", which outlines the rights and obligations of Board members. The internal rules and the Supervisory Board Members' Charter are contained in Chapter 9 of the present document.

The Supervisory Board has also adopted internal rules governing the operation and missions of its special committees.

Conflicts of interest

When appointing or co-opting new members, the Board carefully examines the situation of candidates under consideration for potential conflicts of interest.

The Board considers that its current operating conditions enable it and its committees to fulfil their duties with the effectiveness, objectivity and independence required, particularly with respect to the prevention of potential conflicts of interest.

The rules for managing conflicts of interest described in the Members' Board Charter of the Supervisory Board of La Banque Postale specify that

"[...] every member of the Board shall inform the Supervisory Board and its Chairman as soon as he/she becomes aware of any situation concerning him/her that is likely to give rise to a conflict of interest, even potential or temporary, with the interests of La Banque Postale or of any of its subsidiaries.

In such cases, the member of the Supervisory Board shall:

- ▶ *abstain from taking part in the discussions and from any decision on the issues in question, if the conflict of interest is temporary;*
- ▶ *take all measures aimed at ending said conflict of interest, including tendering his resignation as a Board member to the Chairman of the Supervisory Board, if it turns out that the conflict of interest is ongoing.*

Generally speaking, every member of the Board shall undertake to avoid any conflict that may exist between their material or moral interests and those of La Banque Postale or any of its subsidiaries".

In addition, a conflicts of interest charter inventorying the measures implemented to prevent conflicts of interest is currently being prepared. After the charter is adopted, the members of the Board confronted with a potential conflict of interest will be required to abstain from attending discussions on matters related to the conflict.

To the best of the Company's knowledge, there are no conflicts of interest between the duties of the members of the Supervisory Board towards the Bank, and their private interests.

Regardless of the related party agreements and commitments, there is no arrangement or agreement entered into with clients, suppliers and any other third parties, whereby a member of the Supervisory Board has been appointed.

Assessment of the work carried out by the Supervisory Board and the committees

Every year the Supervisory Board devotes one item on its agenda to analysing its functioning and carries out formal assessments on a regular basis. In addition, following a review of their activities, the members of the committees discuss ways to improve their functioning without representatives of the Bank's management present.

During the session 20 February 2019, the Board reviewed and discussed the results of the formal assessment of the Board and its committees carried out by the Appointments Committee Chair, who is an independent Board member. The results of this assessment had been previously presented and discussed by the Appointments Committee. The ratings were generally satisfactory or very good and demonstrated a strong positive opinion of the Board members with respect to the organisation of work and the operation of the Board and its five specialised committees. Most of the members considered that discussions were carried out in a way that facilitates the expression of opinions and that the balance between presentation and discussion time was good. It was requested that the Board organise seminars on given topics. The members of the Board considered that they had a good understanding of La Banque Postale's strategy and requested additional information on some specific topics. Other suggestions and options for improvement were raised, including a summary at the beginning of documents and earlier sending of the latter. The Board took note of the requests and organised or added to its agenda seminars on the topics for which the members had expressed a wish to explore in greater depth. A secured platform dedicated to the Board and its committees was set up in Q1 2019 to make the work of its members easier and the availability of its supports smoother.

2.1.3.1.2 Composition of the Supervisory Board and its committees and information about its members

The Company is administered by a Supervisory Board, made up of three to eighteen members, including at least one-third of members representing employees, elected under the conditions provided for in the law on the democratisation of the public sector of 26 July 1983 and, where applicable, a representative designated by the French State in accordance with current laws and regulations, as well as, since 4 March 2020 a member of the Board of Directors of La Poste appointed on proposal by Caisse des dépôts et consignations (CDC).

As at the date of this report, the Supervisory Board has fifteen members, namely:

- ▶ ten members appointed by the General Meeting, of which the French State and the member of the Board of Directors of La Poste appointed on proposal by CDC, with the State representative appointed by decree;
- ▶ five members representing employees, who are elected.

The Supervisory Board is chaired by Mr Philippe Wahl, Chairman and Chief Executive Officer of La Poste.

Members of the Supervisory Board are elected for a term of office of five years. Of the nine Board members appointed by the General Meeting other than the State, five carry out management duties in La Poste Group, one is appointed on proposal by CDC, and three are independent.

The appointment of Supervisory Board members upon proposal by La Poste is done according to the positions they hold within the Group.

As of the date of this report, the Supervisory Board is composed of ten men and five women. The percentage of women, excluding the five employee representatives in accordance with the provisions of law no. 2011-103 of 27 January 2011, stands at 40%.

All members of the Board are of French nationality, with one having double nationality.

The Supervisory Board is keen to have a balanced composition, both on the Board and in its committees, with respect to female and male representation as well as the diversity of skills of its members.

The average age of the Board members at 31 December 2019 was 54.

Special Supervisory Board committees

On the date of this document

Members of the Supervisory Board	Personal information			Experience		Position on the Board			Attendance at Board meetings	
	Age at 31 Dec. 2019	Gender	Nationality	Number of shares	Number of offices in companies with listed shares	Independence	Date of appointment (effective date)	End of term		Seniority on the Board (rounded)
CHIEF EXECUTIVE OFFICER										
Philippe WAHL, Chairman	63	M	French	1	1	no	15.10.2013	26.02.2023	6½ years	Member of the Compensation Committee Member of the Appointments Committee
MEMBERS OF THE SUPERVISORY BOARD										
Philippe BAJOU, Permanent Representative of La Poste	61	M	French	N/A	0	no	05.04.2016	26.02.2023	4 years	
Yves BRASSART Vice-Chairman of the Board	59	M	French	N/A	1	no	24.04.2014	26.02.2023	6 years	Member of the Financial Statements Committee Member of the Risk Committee Chairman of the Strategy Committee
Nathalie COLLIN	54	F	French	N/A	0	no	30.05.2018	26.02.2023	2 years	
Marie-Anne LAVERGNE, State representative	31	F	French	N/A	0	no	26.09.2019	26.02.2023	6 months	Member of the Financial Statements Committee Member of the Risk Committee Member of the Appointments Committee Member of the Compensation Committee Member of the Strategy Committee
Michel MADELAIN	63	M	French	N/A	0	yes	11.04.2018	26.02.2023	2 years	Chair of the Financial Statements Committee Member of the Risk Committee Member of the Appointments Committee Member of the Compensation Committee Member of the Strategy Committee
Sophie RENAUDIE	51	F	French	N/A	0	no	11.04.2018	26.02.2023	2 years	Member of the Financial Statements Committee Member of the Risk Committee Member of the Strategy Committee
Emmanuel RONDEAU	57	M	French	N/A	0	yes	27.02.2018	26.02.2023	2 years	Member of the Financial Statements Committee Chair of the Risk Committee Member of the Appointments Committee Member of the Compensation Committee Member of the Strategy Committee

Members of the Supervisory Board	Personal information			Experience		Position on the Board			Attendance at Board meetings	
	Age at 31 Dec. 2019	Gender	Nationality	Number of shares	Number of offices in companies with listed shares	Independence	Date of appointment (effective date)	End of term		Seniority on the Board (rounded)
Nefissa SATOR	43	F	French and Algerian	N/A	0	yes	26.02.2020	26.02.2023	Member of the Risk Committee Member of the Appointments Committee Chair of the Compensation Committee Member of the Strategy Committee	
Olivier SICHEL	52	M	French	N/A	1	no	04.03.2020	26.02.2023	Member of the Financial Statements Committee Member of the Risk Committee	
SUPERVISORY BOARD MEMBERS REPRESENTING THE EMPLOYEES										
Sandrine FAGOT-REVURAT	47	F	French	N/A	0	no	01.10.2018	26.02.2023	1½ years	Member of the Appointments Committee Member of the Compensation Committee
Jean-Pierre HAKIZIMANA	60	M	French	N/A	0	no	27.02.2018	26.02.2023	2 years	Member of the Strategy Committee
Thierry FRESLON	51	M	French	N/A	0	no	01.12.2015	26.02.2023	5 years	Member of the Financial Statements Committee Member of the Risk Committee
Steeve MAIGNE	50	M	French	N/A	0	no	27.02.2008	26.02.2023	12 years	Member of the Financial Statements Committee Member of the Risk Committee
Thierry VIAROUGE	54	M	French	N/A	0	no	27.02.2018	26.02.2023	2 years	Member of the Strategy Committee

Summary presentation of the members of the Supervisory Board whose terms ended between 1 January 2019 and the date of this document.

	Personal information					Position on the Board			Attendance at Board meetings
	Age at 31 Dec. 2019	Gender	Nationality	Number of shares	Independence	Initial appointment date	End of term	Seniority on the Board at the time of departure	
MEMBERS OF THE SUPERVISORY BOARD									
Nathalie DIERYCKXVISSCHERS, representative of the State	45	F	French	N/A	no	02.10.2014	25.09.2019	5 years	Member of the Financial Statements Committee Member of the Risk Committee Member of the Appointments Committee Member of the Compensation Committee Member of the Strategy Committee
Sophie LOMBARD	50	F	French	N/A	yes	15.04.2016	26.02.2020	4 years	Member of the Financial Statements Committee Member of the Risk Committee Chair of the Appointments Committee Chair of the Compensation Committee Member of the Strategy Committee
Nicolas ROUTIER	55	M	French	N/A	no	01.09.2015	04.03.2020	4½ years	

Summary presentation of the composition of the committees

The table below summarises the composition of all of the Board's special committees on the date of this document.

Composition of the special committees	Financial Statements Committee	Risk Committee	Appointments Committee	Compensation Committee	Strategy Committee
Yves Brassart	◊	◊			P
The State represented by Marie-Anne Lavergne	•	•	•	•	•
Sandrine Fagot-Revurat			Δ	Δ	
Thierry Freslon	Δ	Δ			
Jean-Pierre Hakizimana					Δ
Michel Madelain	P	◊	◊	◊	◊
Steeve Maigne	Δ	Δ			
Sophie Renaudie	◊	◊			◊
Emmanuel Rondeau	◊	P	P	◊	◊
Nefissa Sator		◊	◊	P	◊
Olivier Sichel			◊		◊
Thierry Viarouge					Δ
Philippe Wahl			◊	◊	

Key:

- P** : Committee Chairman;
- ◊ : Committee Member;
- Δ : Member elected by the employees;
- : Member representing the French State.

Profile, experience and expertise of the members of the Supervisory Board on the date of this report

N.B.: terms of office and functions carried out in companies whose shares are traded on regulated markets are identified by an asterisk.*

Philippe WAHL, born in 1956**Chairman of the Supervisory Board**

First appointment: 15 October 2013

End of term: 26 February 2023

Board committees: Member of the Appointments and Compensation Committees

Professional address: La Poste – 9 rue du Colonel Pierre Avia – 75015 Paris

Education: Graduate of IEP, Paris, Research Master's Degree in Monetary and Financial Economics, studied at the French National School of Administration (ENA)

BIOGRAPHY

- ▶ Auditor, then Master of Requests at the French Council of State between 1984 and 1988.
- ▶ From 1986 to 1988, special advisor to the Chairman of the French Stock Exchange Commission's Office.
- ▶ From 1988 to 1991, Technical Advisor responsible for Monetary, Financial and Tax Affairs at the Prime Minister's Office.
- ▶ Appointed Advisor to the Chairman of Compagnie Bancaire in 1991, then as a member of the Management Committee in 1992 and Executive Vice-President in 1994.
- ▶ Appointed Head of Paribas' Specialist Financial Services Division and a member of the Executive Committee in 1997.
- ▶ Appointed Chief Executive Officer of the Caisse Nationale des Caisses d'Épargne in 1999.
- ▶ Appointed Chief Executive Officer of the Havas Group in 2005, and Vice-Chairman of the Bolloré Group in 2006.
- ▶ Appointed Chief Executive Officer of Royal Bank of Scotland's (RBS) French subsidiary in 2007, advisor to the RBS Global Banking and Markets Board in London in 2008, and Chief Executive Officer of RBS's French, Belgian and Luxembourg subsidiaries in 2009.
- ▶ Executive Vice-President and member of the Executive Committee of the La Poste Group, and Chairman of the Executive Board of La Banque Postale between January 2011 and October 2013.
- ▶ Vice-Chairman of the French Banking Association between June 2012 and December 2013 and member of the French Banking Federation's Executive Committee between July 2012 and December 2013.
- ▶ Director since 1 August 2013 and Chairman and Chief Executive Officer of La Poste since 26 September 2013.

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- ▶ Chairman and Chief Executive Officer of La Poste (a French public limited company - SA).
- ▶ Director of L'Envol, La Banque Postale's campus (a non-profit association).
- ▶ Permanent Representative of La Poste on the Board of Directors of Poste Immo (a French public limited company - SA).
- ▶ Permanent Representative of La Poste on the Board of Directors of GeoPost (a French public limited company - SA).
- ▶ Member of the Strategy Committee of La Poste Silver (a French simplified joint-stock company - SAS).
- ▶ Director and member of the Appointments and Compensation Committee of CNP Assurances* (a French public limited company - SA).

Companies outside the La Poste Group

- ▶ Member of the Institut Montaigne Management Committee.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Director of Sopassure (a French public limited company - SA) until 2 January 2020.

Yves BRASSART, born in 1960

Vice-Chairman of the Supervisory Board

First appointment: 24 April 2014

End of term: 26 February 2023

Board committees: Member of the Financial Statements and Risk Committees and Chairman of the Strategy Committee

Professional address: La Poste - 9 rue du Colonel Pierre Avia - 75015 Paris

Education: Graduate of IEP Paris, ENSPTT and the EDHEC business school - DECS (Diploma in advanced accounting)

BIOGRAPHY

- Career within the La Poste Group since 1987. From 1987 to 1990, various positions in marketing and sales within La Poste Group's Postal Department. Then Marketing and Sales Director for the Mail/Parcels Division from 1991 to 1993.
- From 1994 to 1999, Chief Financial Officer for the western France section of the La Poste Group.
- From 1999 to 2006, Head of La Poste's Financial Services and also Chief Financial Officer for the General Public Network from 2001 to 2003.
- From 2006 to 2011, Chief Financial Officer of La Banque Postale.
- From September 2011 to April 2014, Head of Finance and Strategy at La Banque Postale, as well as supervision of the Financial Operations Department from September 2012.
- From January 2013 to 7 April 2014, member of the Executive Board of La Banque Postale.
- From 7 April 2014, Executive Vice-President, Chief Financial Officer and member of the Executive Committee of the La Poste Group, then, since 7 September 2015, Executive Vice-President in charge of Finance and Development.

OTHER CURRENT APPOINTMENTS

Companies of the La Poste Group

- Executive Vice-President of La Poste (SA) in charge of finance and development.
- Director and member of the Audit Committee member of the Strategy Committee since of Poste Immo (a French public limited company - SA).
- Director and member of the Audit and Financial Statements Committee and of the Strategy Committee of Geopost (a French public limited company - SA).
- Member of the Strategy Committee of La Poste Telecom (a French simplified joint-stock company - SAS).
- Permanent representative of La Poste, non-voting advisor of Siparex Associés (a French public limited company - SA).
- Permanent representative of La Poste, member of the Supervisory Board of Siparex Proximité Innovation (a French simplified joint-stock company - SAS).
- Member of the Strategy Committee of La Poste Silver (a French simplified joint-stock company - SAS).
- Chairman of LP5 (a French simplified joint-stock company - SAS).
- Chairman of LP7 (a French simplified joint-stock company - SAS).
- Chairman of La Poste Intrapreneuriat (a French simplified joint-stock company - SAS)
- Director at CNP Assurances* since 4 March 2020

Companies outside the La Poste Group

- None.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- Permanent representative of La Poste, Member of the Supervisory Board of XAnge Private Equity (a French simplified joint-stock company - SAS).
- Chairman of LP 2 (a French simplified joint-stock company - SAS).
- Chairman of the Supervisory Board of XAnge Capital (a French public limited company - SA - with an Executive Board and a Supervisory Board)
- Chairman of LP6 (a French simplified joint-stock company - SAS).
- Member of the Supervisory Committee of Vehiposte (a French simplified joint-stock company - SAS).
- Chairman of Oh My Keys (a French simplified joint-stock company - SAS) until 30 September 2019.

Philippe BAJOU, born in 1958

Permanent Representative of La Poste, member of the Supervisory Board

First appointment: 5 April 2016

End of term: 26 February 2023

Board committees: None

Professional address: La Poste - 9 rue du Colonel Pierre Avia - 75015 Paris

Education: Graduate of ENSPTT - Degree in electronics (Paris XI)

BIOGRAPHY

- ▶ Has worked at La Poste Group since 1982.
- ▶ Policy officer at the French Post and Telecommunications Ministry with the Director of Joint Projects in 1989, then various positions within the Financial Department of La Poste.
- ▶ Head of Financial Affairs and Investments at La Poste in 1995, responsible for the CCP (postal chequeing accounts) fund management project from 1998.
- ▶ Chief Executive Officer of Ekiposte in 2000.
- ▶ Member of the Executive Board of La Banque Postale from December 2005 to January 2013.
- ▶ Executive Vice-President of the La Poste Group and Chief Executive Officer of the La Poste Network from December 2012 to June 2015.
- ▶ Became Executive Vice-President in charge of the transformation of the La Poste Group on 19 February 2015, and has been General Secretary and Executive Vice-President of the La Poste Group since 2 February 2016.

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- ▶ Deputy Chief Executive Officer and General Secretary of La Poste (SA).
- ▶ Chairman of the Board of Directors of Poste Immo (a French public limited company - SA).
- ▶ Director of L'Envol, La Banque Postale's campus (a non-profit association).
- ▶ Director of Fondation La Poste.
- ▶ Member of the Strategy and Finance Committee of La Poste Telecom (a French simplified joint-stock company - SAS).
- ▶ Director and member of the Appointments and Compensation Committee of Geopost (a French public limited company - SA).
- ▶ Chairman of the Supervisory Committee of Véhiposte (a French simplified joint-stock company - SAS).
- ▶ Member of the Strategy and Finance Committee and then Chairman of the Strategy and Finance Committee of Altergo (a French simplified joint-stock company - SAS) since 28 June 2019.

Companies outside the La Poste Group

- ▶ None.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Member of the Supervisory Board of BPE (a French public limited company - SA).
- ▶ Permanent Representative of SF2, Director of La Banque Postale Assurances IARD (a French public limited company - SA).
- ▶ Member and Chairman of the Supervisory Board of La Banque Postale Asset Management (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Member and Chairman of the Supervisory Board of La Banque Postale Gestion Privée (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Member and Vice-Chairman of the Scientific Committee of the École de La Banque et du Réseau.

Nathalie COLLIN, born in 1964

Member of the Supervisory Board

First appointment: 30 May 2018

End of term: 26 February 2023

Board committees: None

Professional address: La Poste - 9 rue du Colonel Pierre Avia - 75015 Paris

Education: Graduate of the Ecole supérieure des sciences économiques et commerciales (ESSEC). Holds a masters in business law and taxation

BIOGRAPHY

- ▶ From 1987 to 1990, consultant at Arthur Andersen.
- ▶ From 1990 to 1993, Chief Financial Officer for Cité mondiale des vins et spiritueux.
- ▶ From 1993 to 1997, Chief Financial Officer, Europe at Interleaf in London.
- ▶ From 1997 to 1999, Chief Financial and Administrative Officer at Virgin Music France, then CEO from 1999 to 2002.
- ▶ From 2002 to 2007, CEO then Chair of EMI Music France from 2007 to 2009.
- ▶ From 2009 to 2011, Chair of the Executive Board of Libération.
- ▶ From 2011 to 2014, CEO and Chair of the Executive Board of the Nouvel Observateur group.
- ▶ Appointed Deputy CEO in charge of communication for La Poste Group on 28 April 2014. Member of the Executive Committee.
- ▶ Appointed Deputy CEO in charge of Digital and communication for the La Poste Group on 9 February 2015.

OTHER CURRENT APPOINTMENTS

Companies of the La Poste Group

- ▶ Member of the Policy Committee of Viapost (a French simplified joint-stock company - SAS).
- ▶ Director of Geopost (a French public limited company - SA).
- ▶ Member of the Policy Committee of Mediapost Holding (a French simplified joint-stock company - SAS).

Companies outside the La Poste Group

- ▶ Member of the Conseil Économique, Social et Environnement (Economic, Social and Environmental Council).
- ▶ Member of the Conseil National du Numérique (National Digital Council).

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Director of Ma French Bank (a French public limited company - SA).
- ▶ Member of the Supervisory Board of SNCF (EPIC) up to 31 December 2019.
- ▶ Chair of Holding BNUM (a French simplified joint stock company - SAS).
- ▶ Member of the Supervisory Board of Siparex Proximité Innovation (a French simplified joint-stock company - SAS).

Sandrine FAGOT-REVURAT, born in 1972

Employee representative member of the Supervisory Board

First appointment: 1 October 2018

End of term: 26 February 2023

Board committees: Member of the Appointments and Compensation Committees

Professional address: La Banque Postale BP 1839 – 40 Place Jean Moulin – 03000 Moulins

Education: AES degree (economic and social administration, specialisation in Regional Management). Specialisation in Human Resources, IFOCOP training centre

BIOGRAPHY

- ▶ From 2001 to 2003, Human Resources Assistant (Intermarché Logistique 03) – Groupe ITM.
- ▶ In 2003, Personal Assistant to La Poste management.
- ▶ From 2004 to 2006, Management Controller at La Poste.
- ▶ Since 2006, Bank Controller responsible for La Banque Postale for the Auvergne region.

OTHER CURRENT APPOINTMENTS

Companies of the La Poste Group

- ▶ None.

Companies outside the La Poste Group

- ▶ None.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ None.

Thierry FRESLON, born in 1968**Employee representative member of the Supervisory Board****First appointment:** 1 December 2015**End of term:** 26 February 2023**Board committees:** Member of the Financial Statements and Risk Committees**Professional address:** AVEA LA POSTE - 8, rue Brillat Savarin - 75013 Paris**Education:** Certificate in Economics and Employee Relations, IEP Paris - CESB and CESA, HEC DECF - Advanced vocational training certificate in accounting and business management, distinction in English**BIOGRAPHY**

- ▶ Pursued a career in real estate firms and companies, notably as an accountant and treasurer from 1990 to 1994.
- ▶ Joined the La Poste Group in 1995 and notably held the position of Assistant Chief Accountant of the Group Central Treasury Department from 1996 to 1999.
- ▶ From 2000 to 2005, Manager of bank-related accounting, then central accounting at Etiposte.
- ▶ From 2006 to 2011, Special Advisor to the Accounting Department of La Banque Postale and, in parallel, Secretary of the Works Council.
- ▶ From 2012 to 31 December 2015, Manager of Internal Control Procedures and General Resources at Transactis.
- ▶ Since 1 December 2015, Employee Representative on the Supervisory Board of La Banque Postale.
- ▶ Since January 2016, Chairman of AVEA LA POSTE, a non-profit association of the La Poste Group.

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- ▶ Chairman of AVEA LA POSTE (association).

Companies outside the La Poste Group

- ▶ Director at UVA (non-profit).

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ None.

Jean-Pierre HAKIZIMANA, born in 1959**Employee representative member of the Supervisory Board****First appointment:** 27 February 2018**End of term:** 26 February 2023**Board committees:** Member of the Strategy Committee**Professional address:** La Banque Postale - 115, rue de Sèvres - 75275 Paris Cedex 06**Education:** Degree from ENSPTT - MBA in Network Company Management - DESS (Master's level degree) in Marketing and Management from ISGE-Intec in Lyon - DA (post-graduate degree) in Telecoms Engineering from CESPTOM in Toulouse**BIOGRAPHY**

- ▶ From 1996 to 1998, Financial Controller, Head of Marketing in charge of development at France Telecom's Regional Department of Evry.
- ▶ Joined La Poste in 1999 in the Financial Services Operations Department as project manager for improving the reliability of IT Systems, then as Head of project management and IT management until 2005.
- ▶ From 2006 to 2012, Head of project management at the Finance and Strategy Department of La Banque Postale.
- ▶ From 2012 to 2015, Head of the microcredit market and social partnership activity of the Retail Banking Division of La Banque Postale.
- ▶ From 2016 to 2019, in charge of the overhaul of the account-keeping project of the Concerto programme within the Operations Division of La Banque Postale.
- ▶ Since March 2019, Head of on-line internalisation projects in the Marketing Department of the Retail Banking Division of La Banque Postale.

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- ▶ None.

Companies outside the La Poste Group

- ▶ None.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ None

Marie-Anne LAVERGNE, born in 1988

Permanent Representative of the French State, Member of the Supervisory Board since 2 October 2019

First appointment: by decree of 26 September 2019 published in the Official Journal of 29 September 2019

End of term: 26 February 2023

Board committees: Member of the Strategy, Financial Statements, Risk, Appointments and Compensation Committees

Professional address: Ministry of Economy and Finance, French Investments Agency (APE) – 139, rue de Bercy Télédéc 228 – 75572 Paris Cedex 12

Education: Alumni of Ecole normale supérieure de Lyon - University College of London

MBA from the Collège des ingénieurs - Corps of Bridges, Waters and Forests engineer

Doctorate in materials chemistry

BIOGRAPHY

- ▶ From 2015 to 2017, Deputy head of the “Industry, innovation and the knowledge economy” bureau of the General Directorate of the Treasury.
- ▶ From 2017 to 2019, Deputy head of the “Savings and financial markets” bureau of the General Directorate of the Treasury.
- ▶ Since September 2019, in charge of investments at the French Investment Agency (Agence des Participations de l’État), in particular La Poste and La Banque Postale.

OTHER CURRENT APPOINTMENTS

Companies of the La Poste Group

- ▶ None.

Companies outside the La Poste Group

- ▶ State Representative, Member of the Board of Directors of Bpifrance (EPIC).

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ None.

Sophie LOMBARD, born in 1969

Independent member of the Supervisory Board

First appointment: 15 April 2016

End of term: 26 February 2023

Board committees: Member of the Strategy, Financial Statements and Risk Committees until 26 February 2020

Chair of the Appointments and Compensation Committees until 26 February 2020

Professional address: –

Education: Graduate of the EDHEC Business School - MBA from Columbia Business School, NY

BIOGRAPHY

- ▶ From 1992 to 1995, marketing and sales of structured rate products at Société Générale.
- ▶ From 1997 to 2001, LBO financing at Deutsche Bank in London and Paris.
- ▶ From 2001 to 2012, PAI Partners: origination, deal-making and monitoring of investments in the consumer goods and distribution sector.
- ▶ From 2013 to 2017, founder and Managing Director of Eloa Conseil, advisor on strategy and investments with investment funds.
- ▶ Since 2017, partner and Deputy CEO of Parvilla, a private equity management fund.

OTHER CURRENT APPOINTMENTS

Companies of the La Poste Group

- ▶ None.

Companies outside the La Poste Group

- ▶ Director, member of the Audit Committee and of the Appointments and Compensation Committee of Kaufman et Broad* (a French public limited company - SA).
- ▶ Member of the Investment Committee of Citizen Capital (fund).
- ▶ Member of PAI Human Capital (endowment fund).
- ▶ Managing Director at Parvilla (a French simplified joint-stock company - SAS) since 31 August 2017.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Member of the Strategy Committee of Centre TedyBear (a French simplified joint-stock company - SAS).
- ▶ Executive Vice-President and Director of Financière Gaillon 8 (a French public limited company - SA).
- ▶ Manager at Eloa Conseil (a French private limited company - SARL).

Michel MADELAIN, born in 1956**Independent member of the Supervisory Board****First appointment:** 11 April 2018**End of term:** 26 February 2023**Board committees:** Chair of the Financial Statements Committee, member of the Risk Committee, of the Appointments Committee, of the Compensation Committee and of the Strategy Committee**Education:** Master of Management (Northwestern University Graduate School of Management). Graduate school of business - Rouen
Chartered accountant diploma**BIOGRAPHY**

- May 1980 to March 1994: Ernst & Young: audit partner as of 1989.
- April 1994 to April 2008: Moody's Investors Service – Paris, Senior Analyst, London and New York, Managing Director.
- May 2008 to May 2016: Moody's Investors Service Inc., Chairman & Chief Operating Officer.
- June 2016 to December 2018: Moody's Investors Service, Vice-Chairman.
- IFRS Foundation – Trustee since 1 January 2018.

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- None.

Companies outside the La Poste Group

- Trustee – IFRS Foundation.
- Director, member of the Audit, Risk, Appointments and Compensation Committees of China Construction Bank Corporation

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- Director and Chairman of the Board of Directors – Moody's Investors Service Ltd.
- Director and Chairman of the Board of Directors – Moody's Investors Service EMEA Ltd.
- Director and Chairman of the Board of Directors – Moody's EMEA Ltd.
- Member of the Supervisory Board - Moody's France SAS (a French simplified joint-stock company - SAS).
- Member of the Beirat – Moody's Deutschland GmbH.
- Director – Moody's Investors Service Inc.
- Director – The Moody's Foundation.

Steeve MAIGNE Born in 1969**Employee representative member of the Supervisory Board****First appointment:** 27 February 2008**End of term:** 26 February 2023**Board committees:** Member of the Financial Statements and Risk Committees**Professional address:** La Banque Postale – 115, rue de Sèvres – 75275 Paris Cedex 06**Education:** Sales and finance**BIOGRAPHY**

- Pursued a career within the La Poste Group as a Financial Advisor, and then as a Customer Service Manager from 1998 to 2004.
- Regional secretary for the Paris/Île-de-France CFE-CGC trade union, responsible for the La Poste General Public Network, member of La Poste's Employee-Relations Committees until 2007.
- Employee representative on the Supervisory Board of the La Poste Employee Savings Fund until 2007.
- From 2008 to 2013, Head of the Internal Synergies Project within La Banque Postale's Social and Local Economy Department.
- Since 2013, Quality Manager for the Compliance Department of La Banque Postale.

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- None.

Companies outside the La Poste Group

- Member of the Instance Paritaire Territoriale (joint territorial body) and, since 1 January 2019, Vice-Chairman of the Instance Paritaire Territoriale of Pôle Emploi Paris Île-de-France (State employment agency).
- Permanent member of the Instance Paritaire Régionale (joint regional body) of the Paris Île de France Employment Office since 1 April 2019.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- Director of Logipostel (a rent-controlled housing production company).
- Alternate Director and member of the financial and markets commissions at Urssaf Île-de-France.
- President of the Instance Paritaire Territoriale of Pôle Emploi Paris Île-de-France between 1 January and 31 December 2018.

Sophie RENAUDIE, born in 1968

Member of the Supervisory Board

First appointment: 11 April 2018

End of term: 26 February 2023

Board committees: Member of the Financial Statements, Risk and Strategy Committees

Professional address: La Poste - 9 rue du Colonel Avia 75015 Paris

Education: Post-graduate degree (DEA) in Modelling and quantitative analysis

OTHER CURRENT APPOINTMENTS

Companies of the La Poste Group

- Member of the Supervisory Committee of Véhiposte (a French simplified joint-stock company - SAS).

Companies outside the La Poste Group

- None.

BIOGRAPHY

- From 1995 to 2000, in charge of project ownership and savings standards in La Poste Financial Division.
- From 2000 to 2005, Efpiste auditor, then accounting manager.
- Within La Banque Postale Financial Division:
 - from 2006 to 2009, Deputy Accounting Director;
 - from 2009 to March 2016: Director of Balance Sheet Management and Manager of the Group's financial communication.
- Since March 2016, La Poste Group Financial Control Director.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- Director of Tocqueville Finance Holding (a French simplified joint-stock company - SAS) and Tocqueville Finances SA (a French public limited company - SA).
- Member of the Directors' Committee of LBP Immobilier Conseil (a French simplified joint-stock company - SAS).
- Member of the Supervisory Board and of the Audit and Risk Committee at BPE (a French public limited company - SA).
- Chair of Galliéni SF2-6 (a French simplified limited company with a sole shareholder - SASU).
- Director and member of the Audit and Risk Committee of LBP Home Loan SFH (a French limited company - SA).
- Permanent Representative of SF2, Director of LBP Conseil en Assurances (a French public limited company - SA).

Emmanuel RONDEAU, born in 1962

Independent member of the Supervisory Board

First appointment: 27 February 2018

End of term: 26 February 2023

Board committees: Chairman of the Risk and Appointments Committees and member of the Financial Statements, Compensation and Strategy Committees

Professional address: -

Education: Company director certificate from Sciences PO-IFA
Graduated from Sup de Co in Reims (Neoma)

OTHER CURRENT APPOINTMENTS

Companies of the La Poste Group

- None.

Companies outside the La Poste Group

- Chair of Arbrys Advisory (a French simplified limited company with a sole shareholder - SASU)

BIOGRAPHY

- From 1986 to 1991, Relationship Officer of the Corporate Division of Banque Indosuez.
- From 1991 to 1995, Deputy Head of the Corporate Division of Banque de Gestion Privée.
- From 1995 to 2002, Senior Banker then Co-Head of Corporate Origination of ING Group France.
- From 2002 to 2010, member of the Executive Committee and Head of Corporate Origination at RBS France.
- From 2010 to 2017, Director of Risk & Conduct Assurance, then member of the Executive Risk Committee of Royal Bank of Scotland (RBS) in London.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- Director of Risk & Conduct Assurance (Plc).

Nicolas ROUTIER, born in 1963**Member of the Supervisory Board until 4 March 2020****First appointment:** 30 July 2015 (effective 1 September 2015)**End of term:** 4 March 2020**Board committees:** None**Professional address:** La Poste – 9 rue du Colonel Avia – 75015 Paris**Education:** Graduated from IEP Paris and ENSPTT - Degree in economics**BIOGRAPHY**

- ▶ Has worked at La Poste Group since 1988. From 1988 to 1991, Strategic Planning Manager and Economic and Financial Strategy Manager, then from 1991 to 1994, Head of the Management Control Service in the Group Financial Department.
- ▶ In 1994, Head of La Poste de l'Oise.
- ▶ In 1997, member of La Poste's Operational Committee. Creation of the Purchasing Department, which he headed until 2001.
- ▶ In parallel, from 1998 to 2001, Head of Management Control.
- ▶ From 2001, Head of Strategy, member of the Executive Committee and from mid-2002, Executive Vice-President, Group Strategic Development.
- ▶ From 2004 to 2009, Chairman and CEO of Mediapost and Advisor to the Group Chairman. Also in 2004 became Chairman of the Direct Distribution Trade Association.
- ▶ From March 2009 to June 2014, Chief Executive Officer of Mail. Also appointed Chairman of the Postal Operators Trade Association.
- ▶ From July 2014 to September 2015, Executive Vice-President of the La Poste Group and Chief Executive Officer of Mail and Parcel Services.
- ▶ Since 7 September 2015, Executive Vice-President of the La Poste Group in charge of institutional strategy and regulation.

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- ▶ Director of Geopost (a French public limited company - SA).
- ▶ Director of Poste Immo (a French public limited company - SA).
- ▶ Member of the Supervisory Board of Véhiposte (a French simplified joint-stock company - SAS).

Companies outside the La Poste Group

- ▶ None.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Member and Vice-Chairman of the Board of Directors of Asendia Holding AG (a Swiss company).
- ▶ Member and Vice-Chairman of the Board of Directors of Asendia Management (a French simplified joint-stock company - SAS).
- ▶ Member of the Policy Committee of Mediapost Holding (a French simplified joint-stock company - SAS).
- ▶ Director of La Poste Global Mail (a French simplified joint-stock company - SAS).
- ▶ Member of the Policy Committee of Viapost (a French simplified joint-stock company - SAS).
- ▶ Member of the Supervisory Board of Fret GV (a French simplified joint-stock company - SAS).

Nefissa SATOR, born in 1976**Independent member of the Supervisory Board****First appointment:** 26 February 2020**End of term:** 26 February 2023**Board committees:** Chair of the Compensation Committee, member of the Strategy, Appointments and Risk Committees**Professional address:** SCOR [One Seaport Plaza, 199 Water Street, Suite 2100] – New York, NY 10038 (USA)**Education:** Member of the American Academy of Actuaries (since 2015), Actuary in ERM/Chartered Enterprise Risk Analyst (since 2012), Qualified and certified member Actuary of the Institut des actuaires (since 2000), Certificate in statistics (Institut de statistiques de l'Université de Paris), Master's in pure and fundamental mathematics (Université Pierre et Marie Curie – Paris 6)**BIOGRAPHY**

- ▶ From March 2000 to October 2001: Consultant actuary at Selectis Consulting
- ▶ From November 2001 to January 2007: Head of the personal risk insurance and reinsurance divisions at Actuaris.
- ▶ From January 2007 to January 2010: Head of the Actuarial Division at AG2R La Mondiale (individual products)
- ▶ From February 2010 to August 2013: Technical Director and member of the Management Committee of La Banque Postale Prévoyance
- ▶ September 2013 to February 2016: Vice-Chair of Forsides for the US
- ▶ From March 2016 to November 2016: Central Actuarial, governance of actuarial assumptions for financial reporting and pricing at Prudential Financial
- ▶ Since December 2016: Head of internal audit for the Americas region at SCOR Group

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- ▶ None.

Companies outside the La Poste Group

- ▶ None

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ None

Olivier SICHEL, born in 1967

Member of the Supervisory Board

First appointment: 4 March 2020

End of term: 26 February 2023

Board committees: Member of the Appointments and Strategy Committees

Professional address: Caisse des dépôts et consignations – 56 rue de Lille 75356 Paris 07 SP

Education: Institut d'études politiques de Paris, ESSEC, French National School of Administration (ENA)

BIOGRAPHY

- ▶ From 1994 to 1998: Inspector of Finance at the Ministry of Economy and Finance
- ▶ From 1998 to 2000: France Telecom agency Director
- ▶ From 2000 to 2006: CEO of Alapage.com and, from 2002, CEO of Wanadoo
- ▶ From 2006 to 2012, Partner in the venture capital company Sofinnova
- ▶ From 2012 to 2016: CEO of LeGuide.com
- ▶ In parallel, creation and management of the Digital New Deal Foundation, a digital think tank
- ▶ Since 15 December 2017, Deputy CEO of Caisse des dépôts et consignations in charge of steering the strategic review of the subsidiaries and financial stakes, and since May 2018, Director of Banque des territoires

OTHER CURRENT APPOINTMENTS

Companies of the La Poste Group

- ▶ Deputy CEO of Caisse des dépôts et consignations (EP)
- ▶ Director, Member of the Audit Committee and of the Strategy and Investments Committee of La Poste (SA).

Companies outside the La Poste Group

- ▶ Director, member of the Compensation Committee and member of the Appointments Committee of Bpifrance (SA).
- ▶ Director of Transdev Group (SA).
- ▶ Representative of Caisse des dépôts, Director of Agence nationale de la Cohésion des Territoires (EP).
- ▶ Chairman of the Board of Directors of Fondation Digital New Deal (non-profit association).
- ▶ Member of the Board of Directors of Assia Inc (USA).

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ CEO of LeGuide.com
- ▶ Director at Alpha Mos SA.
- ▶ Director, member of the Strategy Committee of CNP Assurances* (a French public limited company - SA).
- ▶ Director at Solutions 30 (Luxembourg).
- ▶ Director at Black Crows (a public limited company - SA - Cab.5).
- ▶ Member of the Advisory Board of Famoco (a French public limited company - SA).
- ▶ Member of the National Policy Committee (Conseil National d'Orientation) of Bpifrance (a French public limited company - SA).
- ▶ Independent State representative member of the Supervisory Board of Arte (a French public limited company - SA).
- ▶ Chair of OS Conseil (a French simplified limited company with a sole shareholder - SASU).
- ▶ Chairman of the Board of Directors of Amis de la Bibliothèque Nationale de France (non-profit association).

Thierry VIAROUGE, born in 1965**Employee representative member of the Supervisory Board****First appointment:** 27 February 2018**End of term:** 26 February 2023**Board committees:** Member of the Strategy Committee**Professional address:** La Banque Postale – 115, rue de Sèvres – 75275 Paris Cedex 06**Education:** Banking Management at HEC-CESA; DESS (specialised Master's level degree) in Banking and Finance, University Paris V; D.E.S (specialised graduate degree) from the Institut technique de banque**BIOGRAPHY**

- ▶ Worked for LCL from 1985 to 1997:
 - Head of the back office from 1985 to 1987 and Credit Analyst from 1988 to 1991;
 - From 1992 to 1994, Project manager in the Corporate business centres;
 - From 1995 to 1997, Business Development Manager of the Corporate and Operations divisions in Paris.
- ▶ From 1998 to 1999, Auditor of the Financial Centres of the Financial Customers Department of La Poste.
- ▶ From 2000 to 2001, Internal Controller of the Management Board of Oséo Filiale Procrédit-Probail.
- ▶ In 2001, Senior Auditor of the management and Savings Department of the AMF (French Financial Markets Authority).
- ▶ From 2001 to 2006, La Poste: In charge of specialised areas in the Operations Department of the Financial Services Division from 2001 to 2004 and project manager in the Financial Customers Department from 2005 to 2006.
- ▶ From 2006 to 2010, Interbank Correspondent in the Interbank Relations Department of La Banque Postale.
- ▶ From 2010 to 2014, Supervisor of the steering of the audit activity at the national level in the Internal Audit Department of La Banque Postale.
- ▶ Since 2015, Interbank Correspondent of the service in charge of regulation of partnerships and external relationships of the Payments Department of La Banque Postale.

OTHER CURRENT APPOINTMENTS**Companies of the La Poste Group**

- ▶ None.

Companies outside the La Poste Group

- ▶ Member of the Supervisory Board of the company Atout Pierre Diversification (French REIT).
- ▶ Member of the Supervisory Board of the company Actipierre Europe (French REIT).
- ▶ Member of the Supervisory Board of Ciloger Habitat (French REIT).

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ None.

Yves ULMANN, born in 1959**Government Commissioner**

Appointed by decree of 2 February 2018 published in the Official Journal of 8 February 2018

Professional address: Ministry of the Economy and Finance, 139 rue de Bercy - 75572 Paris Cedex 12**Education:** Graduate of IEP Paris - Studied at the French National School of Administration - Degree in public law**BIOGRAPHY**

- ▶ From 1985 to 1995, Executive assistant at the Banque de France.
- ▶ From 1998 to 2002, Advisor to the Administrative Court.
- ▶ From 2003 to 2005, Head of the oil taxation office.
- ▶ From 2006 to 2008, Adviser to the French Permanent Representation to the European Union.
- ▶ From 2009 to 2011, Deputy Director of TRACFIN.
- ▶ From 2012 to 2013, Deputy Head of the Legal Services Department of the Ministry of Economy and Finance, Deputy State Judicial Officer.
- ▶ From September 2013 to June 2017, Head of the Economic Department of the French Embassy in Vienna (Austria).
- ▶ Since July 2017, Head of the Economic and Financial Control Mission.

Changes in the Supervisory Board and Committees during the 2019 financial year

	Departure	Appointment/Election (Effective date)	Reappointment
Supervisory Board	Nathalie Dieryckxvisschers State Representative 25.09.2019	Marie-Anne Lavergne State Representative 26.09.2019	None
	Departure	Appointment	Reappointment
Financial Statements Committee	Nathalie Dieryckxvisschers State Representative 25.09.2019	Marie-Anne Lavergne State Representative 02.10.2019	None
	Departure	Appointment	Reappointment
Risk Committee	Nathalie Dieryckxvisschers State Representative 25.09.2019	Marie-Anne Lavergne State Representative 02.10.2019	None
	Departure	Appointment	Reappointment
Appointments Committee	Nathalie Dieryckxvisschers State Representative 25.09.2019	Marie-Anne Lavergne State Representative 02.10.2019	None
	Departure	Appointment	Reappointment
Compensation Committee	Nathalie Dieryckxvisschers State Representative 25.09.2019	Marie-Anne Lavergne State Representative 02.10.2019	None
	Departure	Appointment	Reappointment
Strategy Committee	Nathalie Dieryckxvisschers State Representative 25.09.2019	Marie-Anne Lavergne State Representative 02.10.2019	None

Changes in the Supervisory Board and Committees between 1 January 2020 and 4 March 2020

	Departure	Appointment/Election (Effective date)	Reappointment
Supervisory Board	Sophie Lombard 26.02.2020	Nefissa Sator 26.02.2020	None
	Nicolas Routier 04.03.2020	Olivier Sichel 04.03.2020	
	Departure	Appointment	Reappointment
Committees	Sophie Lombard 26.02.2020	Nefissa Safor 26.02.2020	None
	Member and Chair of the Appointments and Compensation Committees, member of the Strategy, Financial Statements and Risk Committees	Member and Chair of the Compensation Committee, member of the Strategy, Appointments and Risk Committees Emmanuel Rondeau 26.02.2020 Chair of the Appointments Committee Olivier Sichel 04.03.2020 Member of the Strategy and Appointments Committees	

Supervisory Board member attendance in financial year 2019

Board members	Board attendance	Financial Statements Committee attendance	Risk Committee attendance	Appointments Committee attendance	Compensation Committee attendance	Strategy Committee attendance
Philippe Wahl, Chairman of the Supervisory Board	100%	N/A	N/A	100%	100%	N/A
Yves Brassart, Vice-Chairman of the Board	100%	100%	83%	N/A	N/A	67%
Philippe Bajou	86%	N/A	N/A	N/A	N/A	N/A
Nathalie Collin	43%	N/A	N/A	N/A	N/A	N/A
<i>Nathalie Dierckxvisschers</i>	<i>100%</i>	<i>67%</i>	<i>80%</i>	<i>100%</i>	<i>100%</i>	<i>50%</i>
Sandrine Fagot-Revurat	86%	N/A	N/A	100%	100%	N/A
Thierry Freslon	100%	100%	100%	N/A	N/A	N/A
Jean-Pierre Hakizimana	86%	N/A	N/A	N/A	N/A	100%
Marie-Anne Lavergne	100%	100%	100%	100%	-	100%
Sophie Lombard	100%	100%	100%	100%	100%	100%
Michel Madelain	100%	100%	100%	100%	100%	100%
Steeve Maigne	86%	100%	100%	N/A	N/A	N/A
Sophie Renaudie	100%	100%	100%	N/A	N/A	100%
Emmanuel Rondeau	100%	100%	100%	100%	100%	100%
Nicolas Routier	86%	N/A	N/A	N/A	N/A	N/A
Thierry Viarouge	100%	N/A	N/A	N/A	N/A	100%

The members shown in italics left the Supervisory Board during the 2019 financial year.

N/A: non-member of the body in question.

-: member but no meetings were held in 2019 during the term of the person in question.

Information on the new Supervisory Board members

When new members of the Supervisory Board assume their positions, they are given a file containing the Bank's Articles of Association, the internal regulations of the Supervisory Board and its committees, the Supervisory Board Members' Charter, the Universal Registration Document and the principal texts implementing the CRD IV rules.

Competence and training of the Supervisory Board and committee members

The Board ensures that its members collectively have the knowledge, skills and experience required in the areas of banking and financial markets, legal and regulatory requirements that apply to the Company, its system of governance including internal control procedures, strategic planning and how to implement it, risk management, accounting and financial reporting and, in addition, insurance markets and the legal and regulatory requirements that apply to companies in this sector.

The Board also ensures that the members appointed to its special committees have the appropriate skills and experience to carry out their duties on these committees.

Seminars on strategic, technical or topical subjects, and when applicable, technical workshops are organised on a regular basis for the members of the Supervisory Board.

Special training sessions are organised for new members. Technical workshops were organised for the Financial Statements and Risk Committees. The Risk Committee also organises seminars open to all Board members. In addition, an eleven-day certificate training course given by Paris Dauphine University was offered to the Board members representing the employees elected or re-elected in 2018.

Availability

Special attention is paid to availability to attend the Company's governing bodies, and to compliance with the rules of the French Commercial Code, French Monetary and Financial Code and the Afep/Medef Code about the holding of multiple offices. The members of the Supervisory Board and the Executive Board are invited to report to the Chairman of the Company's Supervisory Board before accepting a new appointment in order to verify that the new appointment is compatible with legal and regulatory provisions. New members of the Supervisory Board receive a summary document informing them of their obligations with respect to holding multiple offices.

Assessment of the notion of independent member

Since La Banque Postale was founded, its Supervisory Board has used the general definition in the Afep/Medef Code to assess the independence of its members. Members of the Supervisory Board are therefore considered to be independent as long as they have no relationship of any kind with the Company, its parent Group or its management that is likely to compromise their freedom of judgement.

Independence is reviewed each year by the Appointments Committee, which presents its findings to the Supervisory Board. The latter, in accordance with the findings of the Appointments Committee, which reviewed the members' independence in light of the new recommendations of the Afep/Medef Code, confirmed the independence of three members of the Board: Mrs Sophie Lombard and Messrs Michel Madelain and Emmanuel Rondeau.

On 26 February 2020, a new independent member of the Board, Mrs Nefissa Sator, was coopted to replace Mrs Madame Sophie Lombard, on recommendation by the Appointments Committee.

Compliance with the independence criteria of the Board members other than the employee representatives on the date of this document:

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Criterion 8
Philippe Wahl, Chairman of the Supervisory Board	x	x	ok	ok	ok	ok	x	X
Yves Brassart, Vice-Chairman of the Supervisory Board	x	ok	ok	ok	ok	ok	ok	x
Philippe Bajou, Permanent Representative of La Poste	x	ok	ok	ok	ok	ok	ok	x
Nathalie Collin	x	ok	ok	ok	ok	ok	ok	x
The French State, represented by Marie-Anne Lavergne	ok	ok	ok	ok	ok	ok	ok	x
Michel Madelain	ok	ok	ok	ok	ok	ok	ok	ok
Sophie Renaudie	x	ok	ok	ok	ok	ok	ok	x
Emmanuel Rondeau	ok	ok	ok	ok	ok	ok	ok	ok
Nefissa Sator	ok	ok	ok	ok	ok	ok	ok	ok
Olivier Sichel	x	ok	ok	ok	ok	ok	ok	ok

"ok" represents an independence criterion that is met in accordance with the Afep/Medef criteria.

"x" represents an independence criterion that is not met in accordance with the criteria of the Afep/Medef Code.

Criterion 1: Has not been an employee or corporate officer of the Company, a consolidated company or a parent company over the past five years.

Criterion 2: Does not hold cross directorships.

Criterion 3: Does not have significant business relationships.

Criterion 4: Does not have close family ties with a corporate officer.

Criterion 5: Has not been statutory auditor of the Company during the past five years.

Criterion 6: Has not been a director of the Company for more than 12 years.

Criterion 7: Has not been a non-executive corporate officer of the Company and received compensation from the Group.

Criterion 8: Is not a representative of a major shareholder.

Declarations of the absence of convictions, bankruptcy, sanctions, family ties or benefits as a result of service agreements concerning members of the Supervisory Board

There are no family ties between the members of the Supervisory Board and the Executive Board. Over the last five years, no member of the Executive Board has been convicted of fraud or associated, as members of management or supervisory bodies, with a bankruptcy, receivership or liquidation.

In the last five years, the members of the Executive Board have not been subject to any incrimination or official public sanctions, nor have they been prohibited from exercising their duties.

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

2.1.3.1.3 Duties of the Supervisory Board and its committees

Activities of the Supervisory Board in 2019

The Supervisory Board met seven times during the 2019 financial year with an average attendance rate of 91%.

In addition to the Board members themselves, the government Commissioner, the Economic and Social Committee Secretary, the members of the Executive Board, and the Chief Financial Officer participate in the Board meetings, and some other La Banque Postale directors participate occasionally depending on points in the agenda. The statutory auditors attended the meetings at which the annual and half-year financial statements were presented.

During 2019, the work carried out by the Board focused primarily on the following issues:

- ▶ the strategy:
 - public banking and insurance project;
 - IT Strategy,
 - customer segmentation, business and conquest,
 - KissKissBankBank,
 - update on the General Interest Mission,
 - opinion of the CUES on the strategic directions of the Bank and the consequences on the business and employment;
- ▶ operation of the Supervisory Board and governance:
 - formalised assessment of the functioning of the Supervisory Board and its committees,
 - remuneration of Executive Board members,
 - updating of La Banque Postale's remuneration policy,
 - succession plan,
 - report prepared pursuant to Article 266 of the decree of 3 November 2014;
- ▶ the Bank's business activity:
 - quarterly business reports,
 - presentation of the 2018 parent company and consolidated financial statements, together with the proposed appropriation of net income and the Executive Board's management report,
 - presentation of the half-year financial statements and the half-year business report,
 - presentation of the budget and the annual issue programmes;

- ▶ control of the Bank's business activity:

- report drawn up pursuant to Articles 258 to 264 of the decree of 3 November 2014,
- report prepared pursuant to Article 253 of the decree of 3 November 2014,
- risk appetite,
- review of the business activity and results of internal control,
- the work of the Internal Audit Department,
- report of the Supervisory Board on corporate governance,
- annual review of regulated agreements,
- update on issues,
- workplace and salary equality policy.

To support the works of the Board, two Board seminars were held in 2019:

- ▶ a specific training seminary for insurance;
- ▶ a seminar focused on the quality of service, digital strategy and the launch of Ma French Bank.

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

2.1.3.1.4 The special committees of the Supervisory Board

Financial Statements Committee

The Financial Statements Committee is primarily responsible for:

- ▶ checking the clarity of financial information supplied by the Executive Board and assessing the relevance of the accounting methods adopted;
- ▶ participating in the selection of the statutory auditors and ensuring that they are independent and objective.

At 31 December 2019, this Committee consisted of three independent directors, one of whom chairs the meetings, two members of the Board belonging to the La Poste Group, the State representative and two members of the Board members representing the employees. The Government Commissioner also attends the Committee's meetings.

The Committee members have financial and accounting expertise, notably as a result of the duties they have had and still have.

The Financial Statements Committee meets at least twice per year and, in particular, prior to any meeting of the Supervisory Board where one or more questions relating to its area of expertise are on the agenda. The Chairman of this Committee reports on its work to the Supervisory Board after every meeting. It may seek the assistance of any person whose skills and expertise it considers necessary to carry out its mission.

The Committee hears the opinions of the statutory auditors, the Bank's Chief Financial Officer, the Head of Risk and the Internal Auditor on issues that concern them, in particular on the Company's risks and significant off-balance sheet commitments, the main points of the results of the legal audit and the accounting options used.

The Committee met five times in 2019 with an average attendance rate of 97%.

During 2019, its work focused primarily on the following issues:

- ▶ presentation of the annual financial statements, the management report and the CSR report;
- ▶ detailed summary of the certification work of the statutory auditors;
- ▶ management report by the Executive Board and report by the Supervisory Board on the conditions for preparing and organising the Board's work and the internal control procedures;
- ▶ 2019 work schedule of the statutory auditors;
- ▶ feedback from the interim work of the statutory auditors;
- ▶ IFRS 9 and IFRS 16 standards;
- ▶ presentation of the half-year financial statements and the half-year business report;
- ▶ review of the choice of consolidation standards;
- ▶ account-closing options;
- ▶ the Internal Audit Department's accounting assignments;
- ▶ accounting IT systems;
- ▶ public banking and insurance project.

A technical workshop was also organised in 2019 in addition to the Committee meetings, on the topic of changing standards, account-closing options and financial communication.

Risk Committee

The Risk Committee is primarily responsible for:

- ▶ assessing the quality of internal control, in particular the principles and system of risk management;
- ▶ taking note of the Company's Internal Audit Department's Charter and that of the Permanent Control Department;
- ▶ examining the accounting aspects of the Company's remuneration policy and practices and its position in terms of risk;
- ▶ more generally, ensuring compliance with the tasks provided by the French Monetary and Financial Code and by the decree of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors subject to the supervision of the French Prudential Supervision and Resolution Authority (ACPR).

At 31 December 2019, this Committee consisted of three independent directors, one of whom chairs the meetings, two members of the Board belonging to the La Poste Group, the State representative and two members of the Board members representing the employees. The Government Commissioner also attends the Committee's meetings.

Members of the Committee have the knowledge, skills and expertise necessary to perform their duties and to understand and monitor the Group's strategy and appetite for risk. When required, training is provided at the time of appointment or during their term to improve their knowledge.

The Risk Committee meets at least four times per year and, in particular, prior to any meeting of the Supervisory Board where one or more questions relating to its area of expertise are on the agenda. The Chairman of this Committee reports on its work to the Supervisory Board after every meeting. It may also seek the assistance of any person whose skills and expertise it considers necessary to carry out its mission.

The statutory auditors, the Chief Financial Officer of the Bank, the Head of Compliance, the Head of Risk and the Internal Auditor are heard by the Committee regarding topics of concern to them.

The members meet without Bank representatives prior to the meetings in order to prepare the session.

The Committee met six times in 2019 with an average attendance rate of 96%.

During 2019, its work focused primarily on the following issues:

- ▶ recovery and resolution plan;
- ▶ annual internal control and risk management report;
- ▶ half-yearly internal control report;
- ▶ report on compliance procedures;
- ▶ setting guidelines, policies and risk limits - risk appetite: the risk appetite framework and the risk appetite dashboard;
- ▶ review of business activity and of the results of permanent control;
- ▶ review of the reports issued by Internal Audit and follow up on action plans;
- ▶ implementation of the AML/CFT (anti-money laundering and combating the financing of terrorism) action plan;
- ▶ risk mapping;
- ▶ crisis management and continuity plans;
- ▶ ILAAP, ICAAP and STE;
- ▶ SREP letter;
- ▶ compliance policy;
- ▶ risk culture;
- ▶ IT services risk;
- ▶ analysis of litigations;
- ▶ review of the Human Resources of the risk, compliance and Internal Audit Departments;
- ▶ European Central Bank follow-up letters;
- ▶ risk control system for the insurance entities and the CIB;
- ▶ application of the Sapin 2 law;
- ▶ application of the General Data Protection Regulation (GDPR);
- ▶ multi-year audit plan;
- ▶ the work of the Committee and its functioning.

Appointments Committee

In order to prepare the work of the Board with respect to the appointments policy within the Company and its subsidiaries, the Compensation Committee is notably responsible for the following tasks:

- ▶ prior review of the profiles of individuals under consideration for a seat on the Board due to their independence vis-à-vis the Company or La Poste Group, or for becoming a member of the Executive Board. The Committee also gives its opinion on renewals of terms;
- ▶ periodic assessment, and at least once per year:
 - review of the structure, size, composition and efficiency of the Supervisory Board with regard to the tasks assigned to it. The Committee submits to the Supervisory Board any relevant recommendations,
 - on the knowledge, skills and experience of the Supervisory Board members, both individually and collectively. The Committee reports on this appraisal to the Supervisory Board,
 - of the qualification as an independent member of the Supervisory Board;
- ▶ setting the target to be achieved in relation to gender balance on the Supervisory Board and creating a policy to achieve this target;
- ▶ annual assessment of the balance and diversity of knowledge, skills and experience possessed individually and collectively by the Supervisory Board members;
- ▶ It also specifies the tasks and qualifications that are necessary for Supervisory Board positions and assesses the time devoted to Supervisory Board member duties;
- ▶ review of the management succession plan in order to recommend possible candidates for succession to the Supervisory Board, notably in the event of an unforeseen vacancy.

At 31 December 2019, this Committee consisted of three independent directors, one of which chairs the meetings, the Chairman of the Supervisory Board, the State representative and a member of the Board representing the employees. The Government Commissioner also attends the Committee's meetings.

The members of the Executive Board may attend Committee meetings at the request of the Chairman of the Committee. The Committee can also hear the main managers of the Company and of its subsidiaries and can invite anyone whose expertise they believe is required to carry out its mission. It can be assisted by the departments responsible for internal control and by outside experts.

The Appointments Committee met twice in 2019 with an average attendance rate of 100%.

During 2019, its work focused on the review of the profile of a candidate under consideration notably with regard to their expertise, experience, availability and whether or not there were any potential conflicts of interest, the renewal of the Board and of the Executive Board, review of the composition of the Board and of its committees, notably with respect to the diversity of its members, review of the independence of the Board members and the prevention of conflicts of interest.

In February 2019, the Committee reviewed the succession plan for managers and presented its conclusions to the Supervisory Board.

Compensation Committee

In order to prepare the work of the Board with respect to the remuneration policy within the Company and its subsidiaries, the Compensation Committee is notably responsible for the following tasks:

- ▶ the annual review:
 - of the principles of the remuneration policy,
 - the remuneration, allowances and benefits of all types awarded to the Company's corporate officers,
 - the remuneration policy for employees who manage collective investment undertakings and for employees who are financial market professionals, whose activities are likely to have a material impact on the Company's risk exposure,
 - the report prepared by the Executive Board pursuant to Article 266 of the decree of 3 November 2014 and forwarded to the French Prudential Supervision and Resolution Authority (ACPR);
- ▶ the policy for the remuneration allocation to the Board members for their activity;
- ▶ the review of retirement and benefits plans;
- ▶ the review of the opportunity to set up profit-sharing and incentive schemes for corporate officers and/or employees.

The Committee also makes sure that the remuneration policy complies with the provisions of the decree of 3 November 2014, and that it is consistent with professional standards, regardless of whether the remuneration is fixed or variable, paid in cash or shares, or consists of benefits in kind, and of whether it is deferred or not. The Compensation Committee also reviews the remuneration of the Head of Risk, the Head of Compliance, and of the Internal Auditor.

At 31 December 2019, this Committee consisted of three independent directors, one of which chairs the meetings, the Chairman of the Supervisory Board, the State representative and a member of the Board representing the employees. The Government Commissioner also attends the Committee's meetings.

The Committee can hear the main managers of the Company and of its subsidiaries and can invite anyone whose expertise it believes is required to carry out its mission. It can also be assisted by the departments responsible for internal control and by outside experts.

The Appointments Committee met twice in 2019 with an average attendance rate of 100%.

During 2019, its work focused primarily on the following issues:

- ▶ the principles of the remuneration policy and the report prepared pursuant to Article 266 of the decree of 3 November 2014;
- ▶ the remuneration of Executive Board members and setting their targets;
- ▶ updating the remuneration policy;
- ▶ the review of the remuneration of the Head of Risk, the Head of Compliance and the Internal Auditor;
- ▶ the remuneration allocated to Supervisory Board members.

Strategy Committee

The Strategy Committee reviews and follows the implementation of the multi-year strategic plan, the strategic projects and operations of the Company and of its subsidiaries and the operations submitted for the prior authorisation of the Supervisory Board in accordance with the law and the Articles of Association.

At 31 December 2019, this Committee consisted of three independent directors, the Vice-Chairman of the Supervisory Board, who is the Chairman of the Committee, of another member of La Poste Group, of the State representative and of two members of the Board representing the employees. The Government Commissioner also attends the Committee's meetings.

At the prior request by its Chairman, the Committee can hear the main managers of the Company and of its subsidiaries and can invite anyone whose expertise it believes is required to carry out its mission.

To address the strategic issues that needed to be presented to the Supervisory Board for review, the Strategy Committee met three times in 2019 with an average attendance rate of 92%.

During 2019, its work mostly concerned, in addition to the Bank's strategic projects, the public banking and insurance project.

2.1.3.1.5 Comments of the Supervisory Board concerning the report of the Executive Board and the 2019 financial statements

As required by law and the Company's Articles of Association, the Supervisory Board has made the verifications and controls it deemed necessary as part of its supervisory duties with regard to the management of the Company by the Executive Board.

The Supervisory Board thus notably reviewed the corporate and consolidated financial statements for 2019 presented to it by the Executive Board, in accordance with the law. It also reviewed the Executive Board's management report on the activity of the La Banque Postale Group for the financial year.

The Supervisory Board has no particular comments to make regarding the financial statements or the management report of the Executive Board.

2.1.3.2 The Executive Board

2.1.3.2.1 Composition of the Executive Board

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

Executive management of the Company is carried out by the Executive Board, which has the broadest powers to act on behalf of the Company in all circumstances, within the limits of its corporate purpose and subject to the powers expressly conferred on the Supervisory Board and Shareholders' Meetings by French law and the Company's Articles of Association.

The Executive Board is composed of the four following members appointed by the Supervisory Board:

- ▶ Mr Rémy Weber, Chairman of the Executive Board;
- ▶ Mr Marc Batave, member of the Executive Board and Chief Executive Officer of the Commercial Bank⁽¹⁾;
- ▶ Mr Gregorio Antonio Blanco, member of the Executive Board, General Secretary;
- ▶ Mrs Anne-Laure Bourn, member of the Executive Board and Executive Vice-President of La Poste Group in charge of the Network, Managing Director of financial services.

The Supervisory Board, at its meeting of 27 February 2018, renewed, for a period of five years, the terms of office of the four members of the Executive Board and also renewed that of its Chairman.

The members of the Executive Board have the status of executive corporate officer within the meaning of Article L. 511-13 of the French Monetary and Financial Code.

As previously authorised by the Supervisory Board, members of the Executive Board have divided management duties among themselves. They have also set the amounts in excess of which certain actions committing the Company require prior approval from the Executive Board, without which the individual concerned would become personally liable to the Company and its shareholders.

2.1.3.2.2 Appointments and positions held by the members of the Executive Board

Summary presentation of the Executive Board members

	Personal information			Experience		Position on the Executive Board		
	Age at 31 Dec. 2019	Gender	Nationality	Number of shares	Number of offices in companies with listed shares	Start date of term	End of term	Seniority on the Executive Board at 31 Dec. 2019
Rémy WEBER Chairman of the Executive Board	62	M	French	N/A	1	15.10.2013	26.02.2023	6½ years
Marc BATAVE Member of the Executive Board and CEO of La Banque Postale's Banque Commerciale ⁽¹⁾	61	M	French	N/A	0	09.01.2013	26.02.2023	7 years
Gregorio Antonio BLANCO Member of the Executive Board and General Secretary	54	M	French	N/A	1	06.09.2017	26.02.2023	2½ years
Anne-Laure BOURN Member of the Executive Board	57	F	French	N/A	0	25.05.2016	26.02.2023	4 years

(1) The term Chief Executive Officer is not within the meaning of Article L. 225-66 of the French Commercial Code.

(1) The term Chief Executive Officer is not within the meaning of Article L. 225-66 of the French Commercial Code.

Detailed presentation of the Executive Board members

N.B.: terms of office and positions held in companies whose shares are admitted for trading on a regulated market are identified by an asterisk*.

Rémy WEBER, born in 1957

Chairman of the Executive Board

First appointment: 15 October 2013.

End of term: 26 February 2023.

Professional address: La Banque Postale – 115, rue de Sèvres – 75275 Paris Cedex 06.

Education: Graduate of IEP Aix en Provence and HEC.

BIOGRAPHY

- ▶ From 1983 to 1987, various missions in the major corporations department of La Banque Française du Commerce Extérieur.
- ▶ From 1987 to 1989, Special Advisor in the Department of International Affairs at the Treasury.
- ▶ In 1990, Deputy Director of Investment and Mergers & Acquisitions at Financière B.F.C.E.
- ▶ In 1993, Regional Director at Lyonnaise de Banque; subsequently, General Secretary and Director of Operations from 1995 to 1996, Executive Vice-President from 1996 to 1999 and Chief Executive Officer from 1999 to 2002.
- ▶ From 2002 to 2013, Chairman and Chief Executive Officer of CIC Lyonnaise de Banque, member of the Executive Board and then of the Executive Committee of the CIC Group.
- ▶ *Since 15 October 2013, Chairman of the Executive Board of La Banque Postale, Executive Vice-President and Head of Financial Services of La Poste.*

CURRENT APPOINTMENTS

Companies of the La Poste Group

- ▶ Executive Vice-President and Head of Financial Services of La Poste (SA).
- ▶ Chairman of the Board of Directors of SF2 (a French public limited company - SA).
- ▶ Chairman of the Supervisory Board and member of the Compensation Committee of La Banque Postale Asset Management, (a French public limited company - SA with an Executive Board and a Supervisory Board).
- ▶ Director of La Banque Postale Assurance Santé (a French public limited company - SA).
- ▶ Director of Sopassure then Chairman and CEO since 2 January 2020 (a French public limited company - SA).
- ▶ Representative of La Banque Postale, Manager of the limited property investment partnerships CRSF Dom, CRSF Métropole and Tertiaire Saint Romain.
- ▶ Director and Vice-Chairman of the Board of Directors of l'Envoi, the La Banque Postale campus (non-profit association).
- ▶ Director of Poste Immo (a French public limited company - SA).
- ▶ Member of the Supervisory Board of La Banque Postale Leasing & Factoring (a French public limited company - SA with an Executive Board and a Supervisory Board).
- ▶ Chairman of the Management Committee of KissKissBankBank & Co (a French simplified joint-stock company - SAS).
- ▶ Chairman of the Board of Directors of Ma French Bank (a French public limited company - SA).
- ▶ Director and member of the Strategy Committee of CNP Assurances* (a French public limited company - SA).

Companies outside the La Poste Group

- ▶ Vice-Chairman of the Association Française des Banques (AFB - the French Banking Association).
- ▶ Permanent Representative of the AFB, member of the Executive Committee of the French Banking Federation.
- ▶ Member of the Board of Paris Europlace (non-profit association).
- ▶ Director and Chairman of the Board of Directors of the Lyon Opera house (non-profit association).

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Chairman of the Board of Directors of La Banque Postale Assurance Santé (a French public limited company - SA).
- ▶ Chairman of the Compensation Committee of La Banque Postale Asset Management (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Member of the Audit Committee of CNP Assurances* (a French public limited company - SA).
- ▶ Member and Chairman of the Board of Directors and member and Chairman of the Appointments-Compensation Committee of La Banque Postale Prévoyance (a French public limited company - SA).
- ▶ Director, member of the Risk and Internal Control Committees and member of the Financial Statements Committee of the Société de Financement Local (a French public limited company - SA).
- ▶ Member and Chairman of the Supervisory Board of La Banque Postale Gestion Privée (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Chairman and Chief Executive Officer of Sopassure (a French public limited company - SA) up to 28 March 2017, then from 17 March 2018 to 27 March 2019.
- ▶ Chairman of the Board of Directors and Chairman of the Compensation Committee for La Banque Postale Assurances IARD (a French public limited company - SA) up to 5 December 2019.
- ▶ Chief Executive Officer of Sopassure (SA) from 14 November 2019 to 1 January 2020.

Marc BATAVE, born in 1958

Member of the Executive Board

First appointment: 9 January 2013.

End of term: 26 February 2023.

Professional address: La Banque Postale – 115, rue de Sèvres – 75275 Paris Cedex 06.

Education: Graduate of ESSEC.

BIOGRAPHY

- ▶ Crédit du Nord Group from 1983 to 2011:
 - Deputy Head of the Labour Relations Section of the Human Resources Department of Crédit du Nord from 1983 to 1985.
 - Financial Negotiating Department from 1985 to 1986.
 - Head of the Financial Savings and Insurance Products Department, Head of Retail Banking then Head of Marketing at Crédit du Nord from 1986 to 1993.
 - From 1993 to January 2000, Vice-Chairman, then Chairman of the Executive Board of Banque Courtois.
 - From January 2000 to July 2011, Head of Customer Relations, Executive Vice-President and then Deputy Chief Executive Officer at Crédit du Nord.
- ▶ La Banque Postale:
 - From 1 November 2012 to 9 January 2013, Head of Business and Professional Activities for La Banque Postale and member of the Executive Committee of La Banque Postale.
 - Member of La Banque Postale's Executive Board since 9 January 2013, General Secretary from 9 January 2013 to 25 May 2016, and acting General Secretary up until 5 September 2017.
 - From May 2016 to January 2020, CEO of Banque Commerciale et Assurance⁽¹⁾. and since 20 January 2020, CEO⁽¹⁾ of Banque Commerciale.

CURRENT APPOINTMENTS

Companies of the La Poste Group

- ▶ Chief Executive Officer⁽¹⁾ of La Banque Postale's Banque Commerciale (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Chairman of the Supervisory Board and of the Appointments and Compensation Committee of BPE (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Director of La Banque Postale Collectivités Locales (a French public limited company - SA).
- ▶ Member of the Supervisory Board of La Banque Postale Financement then Vice-Chairman of the Supervisory Board since 1 March 2019 and member of the Appointments and Compensation Committee since 8 October 2019 (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Permanent Representative of La Banque Postale on the Policy Committee of Adresse Musée de La Poste (a non-profit association).
- ▶ Permanent Representative of SF2, member of the Supervisory Board of La Banque Postale Asset Management (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Chairman of the Supervisory Board and Chairman of the Appointments and Remuneration Committees of La Banque Postale Crédit Entreprises (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Permanent Representative of La Poste on the Board of Directors of Ma French Bank (a French public limited company - SA).
- ▶ Member of the Management Committee since 17 July 2018, and since 19 September 2018, Vice-Chairman of the Management Committee of KissKissBankBank & Co (a French simplified joint-stock company - SAS).

Companies outside the La Poste Group

- ▶ None.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Executive Chairman, member and Chairman of the Audit and Risk Committee and Chairman of the Board of Directors of La Banque Postale Crédit Entreprises (a French simplified joint-stock company - SAS).
- ▶ Member and Chairman of the Supervisory Board and member of the Compensation Committee of SOFIAP (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Permanent Representative of La Banque Postale on the Board of Directors, Chairman of the Audit and Risk Committees and member of the Appointments and Compensation Committee of BPE (a French public limited company - SA).
- ▶ Permanent Representative of La Banque Postale, member of the Supervisory Board of XAnge Private Equity (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Member of the Supervisory Board and of the Compensation Committee of La Banque Postale Gestion Privée (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Permanent Representative of La Banque Postale on the Board of Directors of OCBF (non-profit association).
- ▶ Member and Chairman of the Management Committee of Titres-Cadeaux (a French simplified joint-stock company - SAS).
- ▶ Member of the Supervisory Board of the Fonds de Garantie des Dépôts (a fund).
- ▶ Permanent Representative of SF2 on the Board of Directors of Tocqueville Finance (a French public limited company - SA) and Tocqueville Finance Holding (a Simplified Joint-Stock Company).
- ▶ Director, member and Chairman of the Financial Committee of La Banque Postale Assurances IARD (a French public limited company - SA).
- ▶ Permanent Representative of La Banque Postale on the Board of Directors of La Banque Postale Home Loan SFH (a French public limited company - SA).
- ▶ Member and Chairman of the Management Committee of Ezyness (a French simplified joint-stock company - SAS).
- ▶ Member and Vice-Chairman of the Management Committee of Titres-Cadeaux (a French simplified joint-stock company - SAS).
- ▶ Vice-Chairman of the Board of Transactis (a French simplified joint-stock company - SAS) until 6 May 2019.

(1) The term Chief Executive Officer is not within the meaning of Article L. 225-66 of the French Commercial Code.

Gregorio Antonio BLANCO, born in 1965**Member of the Executive Board****First appointment:** 6 September 2017.**End of term:** 26 February 2023.**Professional address:** La Banque Postale – 115, rue de Sèvres – 75275 Paris Cedex 06.**Education:** Graduated from École polytechnique, engineering degree from École nationale supérieure des télécommunications (Corps des Mines), MBA from INSEAD.**BIOGRAPHY**

- ▶ From 1988 to 1997, France Télécom, operational positions in France and abroad, notably as the head of a regional centre of operations, before being appointed Regional Sales Manager for Lille.
- ▶ From February 1997 to February 2010, at strategy consulting firm McKinsey & Co, Consultant then Project Manager, then Associate Director for the Financial Institutions sector.
- ▶ From March 2010 to December 2010, Deputy Chief Executive Officer and Head of private clients at Barclays Bank France.
- ▶ From December 2010 to August 2017, Chief Executive Officer of Barclays Bank, Country Manager of Barclays France, member of the Executive Committee of Europe Retail and Business Banking.
- ▶ From January 2014 to May 2016, Chief Executive Officer of Barclays Italy Retail and Business Banking.
- ▶ Since 6 September 2017, member of the Executive Board and General Secretary of La Banque Postale.

CURRENT APPOINTMENTS**Companies of the La Poste Group**

- ▶ Permanent Representative of La Banque Postale on the Board of Directors of La Banque Postale Home Loan SFH (a French public limited company - SA).
- ▶ Permanent Representative of SF2 on the Supervisory Board, Chairman of the Compensation Committee and member of the Appointments Committee of La Banque Postale Financement then member of the Risk Committee since 1 March 2019 (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Permanent Representative of SF2 on the Board of Directors of Tocqueville Finance (a French public limited company - SA) and Tocqueville Finance Holding (a French simplified joint-stock company - SAS) then member of the Compensation Committee of Tocqueville Finance SA since 18 December 2019.
- ▶ Director and Chairman of the Financial Committee of La Banque Postale Assurances IARD (a French public limited company - SA).
- ▶ Director of SF2 (a French public limited company - SA).
- ▶ Permanent Representative of SF2 on the Supervisory Board of La Banque Postale Asset Management (a French public limited company - SA - with an Executive Board and a Supervisory Board).
- ▶ Permanent Representative of La Banque Postale on the Board of Directors of Suffren Ré (a French public limited company - SA) since 27 November 2018.
- ▶ Chairman of the Administration Committee of Ezyness (a Simplified Joint-Stock Company) since 16 April 2019.
- ▶ Vice-Chairman of the Board of Transactis (a French simplified joint-stock company - SAS) since 7 May 2019.
- ▶ Director of Sopassure (a French public limited company - SA) since 2 January 2020.
- ▶ Director at CNP Assurances* since 4 March 2020

Companies outside the La Poste Group

- ▶ Director of the Office de Coordination Bancaire et Financière (OCBF) since 31 January 2018.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Chief Executive Officer of Barclays Bank PLC (a UK limited company).
- ▶ Chairman and Chief Executive Officer of Barclays Vie (a French public limited company - SA).
- ▶ Chief Executive Officer of Barclays France (a French public limited company - SA).
- ▶ Director of Barclays Wealth Managers (a French public limited company - SA).
- ▶ Director of Barclays Diversification (a French public limited company - SA).
- ▶ Manager of Barclays Patrimoine (a marketing services company - SCS).
- ▶ Director of Barclays Vida y Pensiones (a Spanish limited company).
- ▶ Chairman of the Compensation Committee of La Banque Postale Asset Management (a French public limited company - SA - with an Executive Board and Supervisory Board) from 11 July to 19 September 2019.

Anne-Laure BOURN, born in 1962

Member of the Executive Board

First appointment: 25 May 2016.

End of term: 26 February 2023.

Professional address: Réseau La Poste – 9 rue du Colonel Pierre Avia – CP 407 – 75015 Paris.

Education: Graduate of the Institut supérieur de gestion (ISG), the Institut technique de banque (ITB), EMBA and HEC.

BIOGRAPHY

- ▶ From 1985 to 1988, marketing research manager then product manager at Thomson Grand Public.
- ▶ At the Crédit Agricole Regional Bank in Morbihan, financial analyst from 1988 to 1990 then manager of business financing from 1990 to 1992 and Head of marketing from 1992 to 1995.
- ▶ Joined the La Poste Group in 1995 as Head of marketing and organisation of La Poste Grand Public Grand Ouest; became Head of the Financial Centre in Rennes in 2000 then Head of the Financial Centre in Paris in 2005.
- ▶ From 2006 to 2009, Territorial Representative of La Banque Postale Ouest Dom Corse.
- ▶ From 2009 to 2011, Secretary General and member of the Executive Board of La Banque Postale Asset Management.
- ▶ From 2011 to June 2015, Head of Operations at La Banque Postale.
- ▶ Since June 2015, Deputy Chief Executive Officer of the La Poste Group in charge of the Network Division and Managing Director of the La Poste financial services.
- ▶ Since 25 May 2016, member of the Executive Board of La Banque Postale.

CURRENT APPOINTMENTS

Companies of the La Poste Group

- ▶ Director at Poste Immo (a French public limited company - SA).
- ▶ Member of the Appointments/Compensation Committee of BPE (a French public limited company - SA - with an Executive Board and a Supervisory Board). Then Vice-Chair of the Supervisory Board since 1 October 2019.

Companies outside the La Poste Group

- ▶ None.

APPOINTMENTS THAT EXPIRED DURING THE LAST FIVE YEARS

- ▶ Member of the Supervisory Board of La Banque Postale Asset Management, (a French public limited company - SA with an Executive Board and a Supervisory Board).
- ▶ Member and Chairman of the Supervisory Board of Asset Management Lab (a French public limited company - SA).
- ▶ Director of La Banque Postale Assurances IARD (a French public limited company - SA).
- ▶ Member of the Policy Committee of Docaposte BPO (a French simplified joint-stock company - SAS).
- ▶ Permanent Representative of La Banque Postale on the Supervisory Board of BPE (a French public limited company - SA - with an Executive Board and a Supervisory Board) until 31 September 2019.

Conflicts of interest

To the best of the Company's knowledge, there are no conflicts of interest between the duties of the members of the Executive Board and the Bank and their private interests.

Apart from the related party agreements and commitments, there are no arrangements or agreements entered into with clients, suppliers or any other third parties pursuant to which a member of the Supervisory Board has been selected.

Although no structural conflict of interest was identified in the cumulation of duties of Anne-Laure Bourn within La Banque Postale and the La Poste Network, she expressly committed, as a preventive measure, to complying with the conflicts of interest management policy implemented by La Banque Postale, which consists of informing La Banque Postale's compliance officer of any conflict of interest and, in the event that the conflict of interest arises from a decision made by the Executive Board or the Executive Committee of La Banque Postale, to abstain from participating in this decision. In this case, a mention will be made in the minutes of the meeting.

2.1.3.2.3 Internal committees of the Executive Board

In 2019, the Executive Board was supported by thirteen steering committees.

The Executive Committee

Made up of four members of the Executive Board and seven heads of the business lines, central and control functions.

- ▶ Serge Bayard, Head of Businesses and Territorial Development;
- ▶ Catherine Charrier-Leflaive, Deputy Managing Director of Insurance and Director of the industrial merger project with CNP Assurances;
- ▶ François Geronde, Chief Financial Officer;
- ▶ Perrine Kaltwasser, Head of Group Risk;
- ▶ Olivier Lévy-Barouch, Head of Strategy and Innovation;
- ▶ Christophe Van de Walle, Director of Operations;
- ▶ Maud Vimeux, Deputy Chief Executive Officer of the La Poste Network, Head of Human Resources of La Banque Postale, Financial Services and the Network;

The Executive Committee meets once a fortnight. It is La Banque Postale's policy body and supports the Executive Board, particularly regarding business action.

The General Management Committee (CDG)

The purpose of the General Management Committee (CDG) is to communicate the Company's key messages and news on marketing and distribution. It monitors the progress of major structuring projects and manages the responsible development policy.

Chaired by Rémy Weber, it is made up of the members of the Executive Committee, as well as:

- ▶ Pierre de Buhren, Commercial Banking Marketing Director;
- ▶ Delphine de Chaisemartin, Director of Public Affairs and Financial and Institutional Communication;
- ▶ Philippe Cuvelier, Director of IT systems of La Banque Postale and the La Poste Network;
- ▶ Jérôme Fischer, General Auditor;
- ▶ Régis Folbaum, Head of Payments;
- ▶ Jean-Claude Gauthier, Deputy Chief Executive Officer of the La Poste Network in charge of development;
- ▶ Alexandre Giros, Director of digital;
- ▶ Thomas Guittet, Deputy Director of Group Risks;
- ▶ Alice Holzman, Chief Executive Officer of Ma French Bank;
- ▶ Christophe Juguet, Director of Management Control;
- ▶ Stéphane Magnan, Head of the Corporate and Investment Bank;
- ▶ Betty Marcerou, Deputy Director of the Department of Businesses and Regional Development;
- ▶ Emmanuelle Mourey, Chair of the Executive Committee of La Banque Postale Asset Management (LBPAM);
- ▶ Franck Oniga, Chairman of the Executive Board of La Banque Postale Financement;
- ▶ Jean-Marc Ribes, Chairman of the Executive Board of BPE and Director of the Wealth Division;
- ▶ Cécile Riffard-Brédillot, Director of Communication and of the Brand;
- ▶ Dominique Rouquayrol de Boisse, Director of Compliance for La Banque Postale Group.

Eleven special committees:

- ▶ the Group Risk Management Committee;
- ▶ the Group ALM Committee;
- ▶ the Group Capital Management Committee;
- ▶ the Strategy Committee for Information Systems and Major Projects;
- ▶ the Marketing Strategy Committee;
- ▶ the Internal Control Coordination and Ethics Committee;
- ▶ the Group Investment Committee;
- ▶ the ALM/CFT Committee of La Banque Postale;
- ▶ the ALM/CFT Committee of La Banque Postale Group;
- ▶ the Management Monitoring Committee for third parties;
- ▶ the Customer Committee.

Minutes are always drafted after each meeting by the Company Secretary and submitted to the Chairman of the Committee for approval.

Diversity

It is important for La Banque Postale to achieve balanced representation of women and men in its highest management bodies. Therefore, as part of its agreement of 7 November 2016 on diversity, gender equality in the workplace and the generations contract, La Banque Postale committed to ensuring diversity at all levels.

“To ensure balanced representation of women and men at all levels of the Company, La Banque Postale provides women and men with equal qualifications access to the same positions, regardless of the level of responsibility, and to the same opportunities for promotion and career development. [...] with this agreement, La Banque Postale confirms its commitment to increasing this rate to ensure the balanced representation of women and men in its ranks and to thereby increase diversity. In order to do so, the Company will promote the balanced representation of women and men, in

particular at the highest classification levels, and will pay special attention to the recruiting and mobility of women and men in functional and operations fields. La Banque Postale set itself the goal of having at least one female candidate for each open position at the strategic or executive level.

The awareness of all players, managers and human resources managers will therefore continue to be raised upstream of the annual performance reviews in order to ensure that the percentage of women promoted is consistent with their numbers within the workforce considered at each level.”

On the date of this report, women accounted for one-third of the members of the General Management Committee. They also account for 30% of the “off-grid” workforce (OG) corresponding to the highest level of responsibility at La Banque Postale and 39% of the workforce classified as K (level below OG).

2.1.4 Remuneration

2.1.4.1 Principles and rules for setting the remuneration of corporate officers

La Banque Postale, based on the work of the Compensation Committee, has applied principles and rules to set the remuneration of corporate officers in accordance with the main recommendations of the Afep/Medef Code and the provisions of the decree of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors, subject to the control of the French Prudential Supervision and Resolution Authority (ACPR).

Remuneration has been reviewed following the order of 15 October 2012 subjecting La Banque Postale to the provisions of Article 3 of the decree of 9 August 1953, as amended by the decree of 26 July 2012 on State control over the remuneration of the managers of public companies.

Fixed and variable remuneration

On the proposal of the Compensation Committee, the Supervisory Board determines the remuneration of the Executive Board.

Since 15 October 2012, in accordance with Article 3, as amended, of the decree of 9 August 1953, the Minister of the Economy must be consulted before any decisions are made relating to the remuneration components for the activities of Executive Board members and its Chairman and must approve them. This remuneration must not exceed a gross amount set by decree; this amount is currently €450,000.

Consequently, the Chairman of the Executive Board now only receives a fixed remuneration, equal to the limit, part of which is paid by La Poste pursuant to an employment contract made necessary by the postal model of La Banque Postale that

appointed him Head of the La Poste Financial Services Department (Financial Centres).

Mrs Anne-Laure Bourn is paid in respect of her employment contract with the La Poste Group.

Members of the Executive Committee do not receive any remuneration from La Banque Postale other than that paid in respect of their appointment as Company officers, nor any remuneration for their terms exercised in the subsidiaries of the La Banque Postale Group.

The annual variable remuneration of Marc Batave and Tony Blanco for 2019 was determined on the basis of the following elements:

- ▶ La Poste Group’s 2019 quantitative objectives weighted at 10%;
- ▶ qualitative objectives weighted at 40% assessing the progress of customer satisfaction, heading major transformation projects, the quality of risk management and compliance with the elements inherent to La Banque Postale’s positioning as a leader in responsible finance;
- ▶ quantitative objectives weighted at 50% including sales performance criteria (confidential indicators) and financial performance criteria related to the economic contribution of the subsidiaries, the change in NBI from corporations, the level of consolidated NBI, the operating ratio, the net profit before tax and the return on equity.

The level of achievement of the quantitative criteria has been precisely established but is not made public for reasons of confidentiality.

The targets for the year 2020 are not known at the date of the present document.

Other benefits or compensation

Remy Weber, Marc Batave and Tony Blanco receive the health and personal risk insurance taken out by La Banque Postale for all La Banque Postale employees. They also receive additional personal risk insurance coverage for all executive managers and a company car.

Anne-Laure Bourn receives the health and personal risk insurance taken out by La Poste for all La Poste employees, as well as the supplementary health and personal risk insurance for all La Poste executive managers. She also receives a company car.

The members of the Executive Board do not receive non-competition compensation and are not awarded equity or debt options on the Company's capital or performance-based shares.

Lastly, executive corporate officers do not benefit from a complementary retirement scheme.

Severance compensation

In accordance with Article 3 of the decree of 9 August 1953, as amended on 26 July 2012, remuneration, compensation or benefit payments due or likely to fall due to members of the Executive Board or its Chairman, as a result of the termination of activity or a change in position or subsequent thereto, must also be approved by the Minister of the Economy.

On 27 February 2018, the Board, following the renewal of the terms of the members of the Supervisory Board, renewed its commitments in the event of the departure of Messrs Remy Weber and Marc Batave. It stated that, in the event of the termination of their term of office, in the case of revocation during a term or at the time of a merger, a change of control or strategy leading to the departure of a member of the Executive Board, and when there is no gross misconduct or serious misconduct and no deficiency seriously affecting the financial position of the Company, they would be entitled to compensation.

For the Chairman of the Executive Board, this compensation would be equal to twice the amount of fixed annual remuneration set on the day of termination of office. The severance compensation due to Marc Batave would be the aggregate amount of his last annualised fixed remuneration on the date of termination of his duties, plus the average of the annualised variable component of his remuneration over the last three years.

The payment of this compensation is subject to compliance with a performance condition, i.e. the Executive Board must have a success rate of 80% or higher in meeting the annual targets for two out of the last three financial years ended.

Marc Batave opted for an unemployment insurance policy taken out with La Banque Postale for senior executives (GSC) and providing compensation in all cases limited to one year's remuneration over the chosen compensation period. This insurance policy will replace the severance compensation listed above on completion of the waiting period. As the unemployment insurance (GSC) policy stops payments, in any case, on the date that the policyholder owns or liquidates their basic compulsory pension scheme, it is agreed that from this date Marc Batave could benefit from severance pay according to the terms described above.

The Supervisory Board also confirmed the authorisation given to La Banque Postale to take out an unemployment insurance policy for senior executives (GSC) for Tony Blanco covering the termination of mandate (including in the event of non-renewal) and the payment by the Company of the premiums for the insurance coverage.

Rules for determining the remuneration of Supervisory Board members

The remuneration allocated to the members of the Supervisory Board, in compliance with the order of 15 October 2012 making La Banque Postale subject to Article 3 of the decree of 9 August 1953 as amended, must be approved by the French Minister of the Economy.

The applicable rules for determining this remuneration allocated to the members of the Supervisory Board are first proposed by the Compensation Committee to the Supervisory Board. These rules, which is set using a benchmark analysis performed by a panel of banks, insurance companies and a sample of companies in which the Government has a stake, are detailed below.

Compensation is allocated to all members of the Supervisory Board, with the exception of the members representing the employees. The Chairman of the Supervisory Board receives a flat amount. The amount for the other members concerned is calculated based on their actual presence at the Supervisory Board and Committee meetings, and the Chair of each committee receives an additional flat compensation.

The overall maximum annual budget for the remuneration allocated to the members of the Supervisory Board is €450,000, and has not changed since 2006.

Since financial year 2013, attendance fees are paid twice yearly:

- ▶ a first payment, in the form of an advance calculated using the above-mentioned method, according to the number of Board and Committee meetings held during the first half of the current year;
- ▶ a second payment made for the remainder of the total annual individual amount.

Following discussions approved by the Supervisory Board on 11 April 2018, and after approval by the Minister of the Economy, the allocation rules for the remuneration were modified, in accordance with the following:

Remuneration allocated for the 2019 financial year

The Chairman of the Supervisory Board received remuneration in an annual lump sum for the 2019 financial year of €20,000. The amount allocated to each member of the Supervisory Board concerned was calculated on a pro rata basis of their actual attendance up to €18,000 per year.

In addition, the Chairmen of the Financial Statements and Risk Committees received €16,000 each in recognition of their position, while the Chairs of the Appointments, Compensation and Strategy Committees each received €10,000. Last, the members of the Financial Statements Committee and Risk Committee each received €2,100 and the members of the Appointments, Compensation and Strategy Committees each received €1,700 for each meeting attended.

Pursuant to the internal regulations of the La Poste Group, the compensation allocated to the members of the Supervisory Board from the La Poste Group are paid to La Poste. Likewise, the La Poste members do not receive any remuneration in respect of their positions in companies in the La Banque Postale Group.

The remuneration allocated to the State representative was paid to the Treasury.

2.1.4.2 Remuneration paid

The data on remuneration provided below complies with the principles and rules of determination adopted by La Banque Postale and described in detail in the report of the Chairman of the Supervisory Board.

Remuneration of members of the Supervisory Board for the 2018 and 2019 financial years

Amount of the remuneration allocated to the members of the Supervisory Board in connection with their activity and other remuneration received by the Supervisory Board members for their appointments within the La Banque Postale Group

Name of the corporate officer	Gross amounts due for 2018 (€)	Recipient	Gross amounts due for 2019 (€)	Recipient
Philippe Wahl⁽¹⁾				
Allocated remuneration	20,000	La Poste	20,000	La Poste
Other exceptional remuneration	-		-	
Philippe Bajou				
Allocated remuneration	18,000	La Poste	15,429	La Poste
Other exceptional remuneration	-		-	
Virgile Bertola⁽²⁾				
Allocated remuneration	11,000	La Poste		La Poste
Other exceptional remuneration	-		-	
Yves Brassart				
Allocated remuneration	53,750	La Poste	52,400	La Poste
Other exceptional remuneration	-		-	
Nathalie Collin⁽³⁾				
Allocated remuneration	12,000	La Poste	7,714	La Poste
Other exceptional remuneration	-		-	
Sylvie François⁽²⁾				
Allocated remuneration		La Poste	-	La Poste
Other exceptional remuneration	-		-	
Sophie Renaudie⁽³⁾				
Allocated remuneration	34,800	La Poste	46,200	La Poste
Other exceptional remuneration	-		-	
Nicolas Routier				
Allocated remuneration	18,000	La Poste	15,429	La Poste
Other exceptional remuneration	-		-	
Nathalie Dieryckxvischers				
Allocated remuneration	46,700	The French State	29,686	The French State
Other exceptional remuneration	-		-	
Marie-Anne Lavergne⁽⁴⁾				
Allocated remuneration		The French State	17,414	
Other exceptional remuneration				
Élisabeth Ayrault⁽²⁾				
Allocated remuneration	11,500	The person concerned		The person concerned
Other exceptional remuneration				
Michel Madelain⁽³⁾				
Allocated remuneration	47,800	The person concerned	69,000	The person concerned
Other exceptional remuneration	-	-	-	-
Sophie Lombard				
Allocated remuneration	66,600	The person concerned	73,000	The person concerned
Other exceptional remuneration	-		-	
Didier Ribadeau Dumas^{(2) (4)}				
Allocated remuneration		The person concerned	-	The person concerned
Other exceptional remuneration	-	-	-	-
Emmanuel Rondeau⁽³⁾				
Allocated remuneration	57,600	The person concerned	69,000	The person concerned
Other exceptional remuneration	-	-	-	-

Name of the corporate officer	Gross amounts due for 2018 (€)	Recipient	Gross amounts due for 2019 (€)	Recipient
Françoise Paget Bitch⁽²⁾				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Sandrine Fagot-Revurat⁽³⁾				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Thierry Freslon				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Jean-Pierre Hakizimana				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Jean-Robert Larangé⁽²⁾				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Steeve Maigne				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Sabrina Rostaing-Paris^{(2) (3)}				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Thierry Viarouge⁽³⁾				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Hélène Wolff⁽²⁾				
Allocated remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
TOTAL	397,700		415,272	

In addition,

- (1) Philippe Wahl received remuneration from La Poste that included benefits in kind of €454,212 in 2019 and 2018, respectively.
- (2) Member who left the Supervisory Board during 2018.
- (3) Member who joined the Supervisory Board during 2018.
- (4) Mrs Marie-Anne Lavergne was appointed State Representative, member of the Supervisory Board, by decree of 26 September 2019 to replace Mrs Nathalie Dierckxvisschers.

Corporate officers do not benefit from equity or debt options on the Company's share capital or performance based shares, and for this reason, the Company does not complete the tables 4 to 10 requested by the AMF's recommendations relating to corporate officer remuneration.

Remuneration of employee representative members on the Supervisory Board

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

All gross remuneration (including the variable component) paid to employee representatives on the Supervisory Board under their employment contracts totalled €369,961 in 2019.

Remuneration of the members of the Executive Board for 2018 and 2019

Standardised tables that comply with Afep/Medef and AMF recommendations

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

(in euros)	2018 financial year	2019 financial year
Rémy Weber		
Gross remuneration payable for the financial year (details in Table 2)	453,816	453,816
Value of multi-year variable remuneration during the financial year	-	
Value of share options awarded during the financial year	N/A	
Value of performance-based shares awarded during the financial year	N/A	
Total	453,816	453,816
Marc Batave		
Gross remuneration payable for the financial year (details in Table 2)	451,327	N/A
Value of multi-year variable remuneration during the financial year	-	
Value of share options awarded during the financial year	N/A	
Value of performance-based shares awarded during the financial year	N/A	
Total	451,327	N/A
Tony Blanco		
Gross remuneration payable for the financial year (details in Table 2)	450,417	N/A
Total	450,417	N/A
Anne-Laure Bourn		
Gross remuneration payable for the financial year (details in Table 2)	475,607	N/A
Value of multi-year variable remuneration during the financial year	-	
Value of share options awarded during the financial year	N/A	
Value of performance-based shares awarded during the financial year	N/A	
Total	475,607	N/A
EXECUTIVE BOARD TOTAL	1,831,167	N/A

The annual variable remuneration for 2019 has not been determined at the date of this document.

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

	2018 financial year		2019 financial year	
	Amounts payable for the financial year	Amounts paid during the financial year	Amounts payable for the financial year	Amounts paid during the financial year
(in euros)				
Rémy Weber				
Fixed remuneration	450,000	450,000	450,000	450,000
Of which paid by La Banque Postale	360,000	360,000	360,000	360,000
Of which paid by La Poste	90,000	90,000	90,000	90,000
Variable annual remuneration	-	-	-	-
Multi-year variable remuneration	-	-	-	-
Severance compensation	-	-	-	-
Allocated remuneration ⁽¹⁾	-	-	-	-
Benefits in kind ⁽²⁾	3,816	3,816	3,816	3,816
Total	453,816	453,816	453,816	453,816
Marc Batave				
Fixed remuneration	393,333	393,333	409,000	409,000
Variable annual remuneration	35,992	79,097	N/A	35,992
Multi-year variable remuneration	-	-	-	-
Severance compensation	-	-	-	-
Allocated remuneration ⁽¹⁾	-	-	-	-
Benefits in kind ⁽²⁾	22,002	22,002	22,383	22,383
Total	451,327	494,433	N/A	467,375
Tony Blanco				
Fixed remuneration	400,000	400,000	400,000	400,000
Variable annual remuneration	35,200	11,924	N/A	35,200
Multi-year variable remuneration	-	-	-	-
Severance compensation	-	-	-	-
Allocated remuneration ⁽¹⁾	-	-	-	-
Benefits in kind ⁽²⁾	15,217	15,217	15,499	15,499
Total	450,417	427,141	N/A	450,699
Anne-Laure Bourn⁽³⁾				
Fixed remuneration	320,617	320,671	330,000	330,000
Variable annual remuneration	150,519	139,768	N/A	150,796
Multi-year variable remuneration	-	-	-	-
Severance compensation	-	-	-	-
Allocated remuneration ⁽¹⁾	-	-	-	-
Benefits in kind ⁽²⁾	4,471	4,471	4,471	4,471
Total	475,607	464,856	N/A	485,267
EXECUTIVE BOARD TOTAL	1,831,167	1,840,264	N/A	1,857,157

(1) Members of the Executive Board do not receive allocated remuneration for terms of office held in La Banque Postale Group companies.

(2) For Rémy Weber, the benefits in kind correspond to a company car and the communication bonus. For Marc Batave and Tony Blanco, they are a company car and senior executive unemployment insurance (GSC). For Anne-Laure Bourn, they correspond to a company car and the communication bonus.

(3) Anne-Laure Bourn has been a member of the Executive Board since 25 May 2016. She is paid by La Poste.

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

	Employment contract with La Banque Postale		Supplementary pension plan		Other benefits or compensation payable or likely to be payable on account of a termination or a change in position		Compensation related to a non-competition clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Executive corporate officers								
Rémy Weber Chairman of the Executive Board since 15 October 2013		X		X	X			X
Marc Batave Member of the Executive Board since 9 January 2013		X*		X	X			X
Anne-Laure Bourn Member of the Executive Board since 25 May 2016		X		X		X		X
Tony Blanco Member of the Executive Board since September 2017		X		X	X			X

* Marc Batave's employment contract has been suspended since 9 January 2013.

Benefits allocated to managers for termination or change of position

No benefits were allocated to managers for termination or change of position during the 2018 and 2019 financial years.

- ▶ the total amount of variable remuneration cannot exceed 30% of the fixed remuneration;
- ▶ the total amount of variable remuneration must not exceed 5% of La Banque Postale's consolidated gross operating income.

Supplementary pension arrangements made for the benefit of Executive Board members

As of 31 December 2019, La Banque Postale had made no supplementary pension arrangements for Executive Board members.

Professionals affected at La Banque Postale

Pursuant to Article L. 511-71 of the French Monetary and Financial Code, the rules relating to remuneration policy are applied to managers of the institution concerned and to those personnel categories, including risk takers, individuals exercising a control function and any employee who, in light of their total income, is in the same pay band, and whose professional activities have a significant impact on the risk profile of the Company or the Group.

EU Delegated Regulation 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.

Within La Banque Postale, those professionals covered by rules relating to the remuneration policy and practices of credit institutions in 2019 are:

- ▶ management: EXCOM members;
- ▶ persons in supervisory positions: the three directors with supervisory roles, i.e., the Head of Risk, the Head of Compliance and the Head of Internal Audit;
- ▶ risk takers: the Head of the Corporate and Investment Bank (CIB) and market traders.

Remuneration of the members of the General Management Committee

In 2019, the total gross remuneration (including the variable portion) paid under employment contracts to members of the General Management Committee, excluding members of the Executive Board, amounted to €6,874,959.

No other remuneration was paid to members of the General Management Committee. Moreover, they do not receive allocated remuneration for appointments that they hold in Group companies.

Members of the General Management Committee receive termination pay, valued at a total of €1,039,368.

Remuneration of regulated employees

The Compensation Committee, pursuant to the decree of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors, subject to the French Prudential Supervision and Resolution Authority (ACPR), has prepared the work for the Supervisory Board, which then decided on the remuneration policy for regulated employees proposed by the Executive Board.

The Board therefore issued a positive opinion on La Banque Postale's remuneration policy, which has established a global framework for the variable remuneration of the Bank's regulated employees, so as not to jeopardise its ability to generate equity and have a negative impact on its liquidity.

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

The remuneration principles implemented within La Banque Postale

The fixed component of remuneration constitutes most of the remuneration of all La Banque Postale employees. The variable portion of remuneration with relation to the fixed portion is limited and strictly defined in the validation processes: for each employee, the variable remuneration is determined on a managerial basis taking into consideration a set of criteria pertaining to the level of performance observed with respect to yearly objectives set at the beginning of the year. To ensure that there is no impact on La Banque Postale's liquidity and in order not to compromise its ability to generate equity, the total amount of variable

remuneration of La Banque Postale's managers and employees must meet both of the following criteria:

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

Principle of proportionality for variable remuneration

In view of its internal organisation, the nature, extent and low complexity of its activities, and the very low exposure to risk of the activities of La Banque Postale, which come under the scope of the decree of 3 November 2014, the La Banque Postale Group has established a remuneration policy that guarantees an annual cap and a principle of deferred payment in accordance with the requirements provided by Articles L. 511-75 to L. 511-88 of the French Monetary and Financial Code. However, it was not judged necessary to set up a clawback scheme covering variable remuneration, given the low risk exposure.

In effect, La Banque Postale:

- ▶ primarily operates Retail Banking activities for natural persons;
- ▶ at this point in time, the financing of legal entities is a minor activity compared to La Banque Postale's overall NBI;
- ▶ the Corporate and Investment Bank has an activity virtually nearly exclusively focused on the interest rate markets; it implements the bank's bond issue programme and reinvests the bank's excess cash in the interbank market and on the bond markets. It also hedges the home loans granted by La Banque Postale as well as bond issues distributed to customers.

Annual cap on variable remuneration

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

Variable remuneration will be subject to deferred payment, in accordance with the procedures laid down below, for any employee concerned within La Banque Postale who enjoys variable remuneration in excess of:

- ▶ €150,000 for members of La Banque Postale's Executive Committee;
- ▶ €150,000 for the directors exercising a control function (the Head of Risk, the Head of Compliance and the Internal Auditor);
- ▶ €150,000 for the Head of the Corporate and Investment Bank (CIB); and
- ▶ €100,000 for the traders.

Moreover, under decree no. 2012-915 of 26 July 2012 relating to State control of the remuneration of corporate executive officers of public companies, which institutes a mechanism for capping the remuneration of corporate executive officers of public institutions and companies at an annual gross amount of €450,000, the Chairman of the La Banque Postale Executive Board receives no variable remuneration.

Principle of deferred, conditional payment of variable remuneration

In accordance with the rules relating to the remuneration policy and practices for credit institutions, La Banque Postale has implemented a deferred payment mechanism, over a period of three years, for the variable part of the remuneration of the employees involved.

All variable remuneration is spread out in accordance with the following procedures:

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

Payment of any Deferred Component likely to be made to the employees in question is subject to achieving positive net income on a consolidated basis at the end of the year preceding that in which the payment is made.

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.

2.1.4.3 Presentation of the resolutions of the General Meeting relating to remuneration

The Annual General Meeting of 12 April 2019 approved all the resolutions relating to remuneration presented to it both with respect to the Commercial Code ("say on pay") and the Monetary and Financial Code. Pursuant to decree no. 2019-1234 of 27 November 2019 relative to the remuneration of the corporate officers of listed companies, as the Company does not have shares admitted to trading on a regulated market, it is not subject to the say on pay rule.

Opinion on the remuneration components of regulated employees

In accordance with Article L. 511-73 of the French Monetary and Financial Code, the General Meeting is consulted yearly with regard to the overall remuneration budget for all types of remuneration paid during the year just ended to the persons mentioned in Article L. 511-71 of said Code, notably in reference to the effective managers of the Company, i.e. The four members of the Executive Board. The amount of the envelope for 2019 is €8,228,340 (including the remuneration of Anne-Laure Bourn and the remuneration paid to Rémy Weber by La Poste).

LA BANQUE POSTALE GROUP BUSINESS ACTIVITY AND RESULTS

3

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3.1 BUSINESS ENVIRONMENT AND HIGHLIGHTS

3.1.1 Economic and financial environment

A complex international economic environment

The factors that created uncertainty in 2018 weighed even more heavily on the economic environment in 2019. The trade war between China and the United States continued, with each truce followed by a new outbreak of hostilities. Negotiations between the two super powers nevertheless resulted in a partial agreement in late 2019 and the signing of a new trade deal on 15 January 2020. The Brexit saga was another defining factor, with a no-deal exit by the United Kingdom looking extremely likely during most of the year. In the end, Boris Johnson's gamble of calling an early general election in December paid off. Following the Conservative party's landslide victory, he finally had the parliamentary majority needed to push through the divorce deal agreed with the EU's negotiators in late October, paving the way for the United Kingdom's withdrawal from the European Union on 31 January 2020. And while all this was going on, geopolitical tensions remained high in the Middle East.

The global economic slowdown that began in 2018 extended into 2019. The worsening international economic environment acted as a brake on world trade, and manufacturing output remained trapped in a downward spiral as from autumn 2018. US growth contracted slightly, but all told the economy held up quite well despite significant difficulties in the manufacturing sector. China experienced a sharp loss of momentum, due in part to the export-dampening trade war with the United States but also to soft domestic demand.

Faced with the heightened risk of a significant economic slowdown, the central banks staged an about-turn in 2019 by adopting resolutely accommodative monetary policies. In many European countries, 10-year government bond rates were reduced to extremely low levels during the summer – with some rates moving into negative territory – before recovering slightly.

Weaker eurozone growth

Eurozone growth weakened in 2019. Economic forecasts remained gloomy throughout the year, particularly in the manufacturing sector. The services sector held up better, but gradually became less resilient as the year wore on due to lower manufacturing activity.

In Germany, manufacturing hit a massive air pocket. The country's very open economy was badly hit by the slump in global trade and also struggled to overcome structural weaknesses. In Spain, the economy slowed slightly but nevertheless outperformed the eurozone as a whole. In Italy, growth remained very weak throughout the year, reflecting subdued domestic demand.

In the United Kingdom, although the extremely uncertain political environment weighed on economic activity in 2019, more buoyant consumer spending and the healthy rate of job creation helped to sustain growth. All the same, corporate capital spending was stifled in the 18 months to December 2019 by the high level of uncertainty about the Brexit outcome.

Several brakes on economic growth in France

In France, the economic growth rate slowed to around 1% a year in 2019 from 1.5% in 2018. Despite a fairly significant increase in after-tax incomes, French consumers were generally prudent, choosing not to take full advantage of the increased spending power provided by the budgetary and tax stimulus measures adopted by the government at the end of 2018. Exports were weakened by almost flat global demand in 2019. However, companies enjoyed the simultaneous benefits of 2018 CICE tax credit refunds received in 2019 and a reduction in employer payroll taxes. The cash bounty improved their financial position and encouraged them to actively invest in plant and equipment. At the same time, the job creation rate remained relatively high.

Oil prices remained reasonable

Oil prices rose sharply in the first part of the year after falling rapidly in late 2018. The price of North Sea Brent, which was less than \$54 at the end of December 2018, increased by around \$20 to reach nearly \$75 in April. At the end of 2018, OPEC and ten other countries, including Russia, decided to reduce their production quotas. The resulting restrictions on supply were partly offset by increased oil production in the United States. After trade friction between China and the United States flared up again in the spring, concerns about future global energy demand depressed crude prices which hovered at around \$60 per barrel for several months. Tensions nevertheless remained strong in the Middle East, and in late 2019, OPEC and its allies announced a further reduction in their production quotas, driving prices back up to \$66 at the end of the year.

Higher inflation in the eurozone, due to energy price growth

Headline inflation in the eurozone remained low in 2019, at an annual rate of around 1%. Core inflation (excluding energy and food) was also moderate, although a small uptick was observed at the end of the year. The main cause was a slightly bigger increase in core inflation in Germany, where the rate rose by around 0.5 points over the 18 months to end-2019 due to sustained growth in wages. In France, headline inflation was slightly below the eurozone rate.

A significant reduction in interest rates

At the beginning of the year, the vast majority of central banks had taken steps to return to a more normal monetary policy or were waiting for an opportunity to do so; however, they quickly backtracked in the spring and initiated resolutely accommodative policies in the summer. The US Federal Reserve reduced its Fed Funds rate three times. In the eurozone, the European Central Bank (ECB) also reduced one of its key interest rates in September and restarted its programme of bond purchases. This highly uncertain international environment triggered a flight to quality by investors. In many European countries, 10-year government bond rates were reduced to extremely low levels during the summer – with some rates moving into negative territory – before recovering slightly.

In the United States, the 10-year T-Note rate was reduced by 80 basis points to end the year at 1.9%. France's 10-year OAT rate fell by nearly 60 basis points and the German Bund rate by over 40 basis points. The Bund rate stayed in negative territory from early May through the end of the year. The 10-year OAT rate became negative in late June before returning to positive territory at the end of the year (the rate at end-December was around 0.05%). The decline in long-term rates flattened the yield curve and spreads continued to narrow in the European Union.

Interbank rates in the eurozone declined as a result of the monetary policy decisions made in September by the ECB, which reduced its deposit rate – currently viewed as the true key interest rate in the eurozone – by 10 basis points to -0.5%. The cut led to a corresponding 10-basis-point reduction in the Eonia to -0.45%. The 3-month Euribor (the rate at which major banks lend to each other for three months) fell to around -0.40%.

Interest rates on French regulated savings accounts (Livret A, Livret de développement durable et solidaire, Livret d'épargne populaire and Compte épargne logement) remained stable. The Livret A rate

was kept at 0.75% and the PEL home savings plan rate remained at 1%.

Higher stock market prices

Due notably to the progress made in the Chinese-American trade talks, world stock markets rebounded sharply at the beginning of 2019, peaking at the end of April. In May, relations between Washington and Beijing suddenly became bogged down, with some observers claiming they had seriously deteriorated. This first made investors cautious, then distrustful. During the eventful summer months, prices moved in response to the different announcements concerning the progress – or lack of progress – of trade talks between the two super powers. The calmer situation at the end of the year helped investors to recover their appetite for risk. In the end, US stock indices reached record highs in 2019, while the CAC 40 gained more than 26%, ending the year at 6,000 points.

3.1.2 2019 highlights

Creation of a leading European bancassurance group

The project to link together CNP Assurances and La Banque Postale is currently in progress. It will lead to the creation of a large European bancassurance group with total assets of €708 billion.

Under the project's terms, CNP Assurances will become a 62.1%-owned subsidiary of La Banque Postale and will be fully consolidated in La Banque Postale's accounts.

By forging closer ties with its historical partner, La Banque Postale will be able to move up a gear in its development in the French and international insurance markets. The change of pace will be achieved by leveraging the organisation's enhanced marketing potential, greater innovation capabilities – especially in the pension savings segment – and advances in operating efficiency.

CNP Assurances, which will continue to be listed on the stock exchange, will benefit from a stronger shareholder base thanks to the new shareholders' agreement between La Banque Postale and Groupe BPCE covering the period until December 2030.

CNP Assurances will also enjoy the security of extended distribution partnerships in France with Groupe BPCE and La Banque Postale:

- exclusive partnership with Groupe BPCE, originally due to expire at the end of 2025 and extended until December 2030;
- exclusive partnership with La Banque Postale, due to expire at the end of 2022 extended until December 2036.

Faster growth across all businesses

For the Retail Banking businesses, 2019 was shaped by major organic and external growth transactions, in both personal banking and business banking.

One such transaction was the acquisition of Société Générale's 35% interest in La Banque Postale's consumer finance subsidiary, La Banque Postale Financement. By becoming La Banque Postale's sole Shareholder, the Group has strengthened its position in this strategic business.

In Private Banking, BPE – which was acquired in 2014 – enjoyed very strong business growth. Assets under management totalled €9.6 billion (representing an increase of 96% between 2014 and 2019⁽¹⁾), net banking income grew 40 %⁽²⁾ over the same period and operating profit rose 145%⁽³⁾. This performance illustrates the benefits of sharing La Poste's powerful network spanning the whole of France, with BPE corners in some post offices offering the same customer experience as a separate branch. It also demonstrates La Banque Postale's ability to meet the needs of a demanding clientele looking for expertise and responsiveness combined with a close local presence, and to offer these customers a comprehensive product line-up comprising a growing number of SRI options.

In Insurance, particularly in the non-life segment, La Banque Postale moved forward with its plan to develop an integrated model by signing a new partnership agreement with Groupama. La Banque Postale Assurances pursued its digital strategy with the introduction of full-online insurance underwriting processes and enhanced functionalities for all customers. In Life insurance, La Banque Postale's share of CNP Assurances' profit (accounted for by the equity method) came to €276 million in 2019, an increase of 5%.

(1) Data concerning BPE only.

(2) Data concerning BPE only.

(3) Data concerning BPE only.

In Asset Management, La Banque Postale Asset Management launched several major strategic projects. These included a project to support its new ambitions in the area of conviction-based management (backed by growth funds such as high conviction equity funds, SRI funds and the Tocqueville brand). Another strategic goal concerned the creation of a European benchmark in constrained funds. And a project was also undertaken to develop a technological service offer for institutional investors and asset managers, by combining the expertise of La Banque Postale Asset Management and the BPCE Group on a single shared platform.

A digital and human transformation

For all of La Banque Postale's businesses, 2019 was another year of transformation.

Ma French Bank, La Banque Postale's digital bank launched on 22 July, had signed up 122,000 customers by the end of the year. Distributed mainly through the post office network, Ma French Bank meets the needs of young customers looking for a simple and attractive offer. It is aiming to attract over a million customers by 2025.

The Excellence 2020 process re-engineering programme was actively pursued during the year, generating €100 million in cost savings over three years, including €40 million in 2019 alone. These savings were achieved by automating many of La Banque Postale's business processes and digitising customer transactions. The operational efficiency programme is continuing, with a new set of initiatives planned for the period to 2023.

The business transformation plan is firmly rooted in La Banque Postale's values. In line with its commitment towards employees, La Banque Postale has adopted a change management approach based on training (its dedicated banking school École de la banque et du réseau provided a total of 314,262 days' training in 2019), the use of digital technology to improve employees' working tools (for example, AI-based data analysis helps financial advisors to anticipate customers' needs depending on the stage in their lives) and extensive rollout of learning systems.

A unique commitment to supporting inclusive banking, local communities, and the environment

As a bank dedicated to serving the community, La Banque Postale honours its commitments by offering banking services to 1.6 million financially vulnerable customers, representing nearly half of the 3.3 million people identified as being in this situation in France by the Banque de France's Observatoire de l'inclusion bancaire (OIB) in its most recent report.

In line with the commitment given by La Banque Postale, the *Simplicité* account formula specially developed for these customers features a cap on bank incident fees of €20 per month and €200 per year. As of 31 December 2019, 112,400 customers had *Simplicité* accounts, up 41% compared with end-2017. For financially vulnerable customers who choose not to open a *Simplicité*

account, bank incident fees have been capped at €25 per month since 1 January 2019.

La Banque Postale also fully assumes its public service mission of providing access to banking services through the Livret A passbook savings account, by offering basic banking services free of charge to over 1.5 million people who have been denied access to service by other banks. Its action in this area was recognised by the CCSF⁽¹⁾ in a report dated 10 December 2019 recommending (by a unanimous vote of its members) that the programme should be rolled over to the period 2021-2026. In this report, the CCSF noted that the programme was "a balanced response to the specific, practical needs expressed by a very specific category of the population, corresponding in some cases to people living in extreme poverty, who are not currently covered by other programmes providing access to banking services."

La Banque Postale is contributing to the development of local communities, thanks to a deep network of 17,000 contact points, and fully plays its role as the banker of choice for all local public agencies. In 2019, local authority financing⁽²⁾ provided by La Banque Postale increased by 61% to €5 billion, and financing for public hospitals was 19% higher at €566 million. These figures illustrate La Banque Postale's central role in financing local authorities and public hospitals, acting alongside Société de Financement Local (SFIL) under a partnership agreement that has been rolled over in advance until 2026.

A pioneer in green and responsible finance, La Banque Postale has affirmed its leadership:

- ▶ in asset management, La Banque Postale Asset Management (LBPAM) is **the only non-specialised manager committed to building a 100%-SRI offer by the end of 2020**. As of 31 December 2019, LBPAM was managing €137 billion worth of SRI funds, representing 60% of total assets under management. These funds have performed exceptionally well, in terms of both financial yields and ESG criteria. An international rating organisation ranked the LBPAM ISR Actions Euro, LBPAM ISR Actions Europe and LBPAM ISR Actions Environnement funds among the five best European funds in 2019 for the quality of the environmental policies of the companies in the portfolios. LBPAM was also the leading manager of government-labelled SRI funds as of 31 December 2019;
- ▶ La Banque Postale is the leading provider of bank financing to local authorities and since 2019 it has been offering green loans to these customers. These loans in turn represent eligible assets securing green bonds issued by SFIL, thereby squaring the virtuous financing circle;
- ▶ **La Banque Postale intends to become a regular issuer on the ESG bond market**, following the success of its inaugural €750 million green bond issue;
- ▶ the Corporate and Investment Banking Division financed around €1 billion worth of renewable energy projects in 2019 and reaffirmed its internal ban on financing fossil fuel projects;
- ▶ La Banque Postale's business units have all been carbon neutral since 2018.

All of these efforts have been applauded by the ESG rating agencies.

(1) Comité Consultatif du Secteur Financier.

(2) Corresponding to loan offers signed by La Banque Postale.

3.2 LA BANQUE POSTALE GROUP BUSINESS ACTIVITY AND RESULTS

Consolidated income statement

(in € millions)

Main items on the income statement	2019	2018	%
Net Banking Income	5,647	5,570	1.4 %
Net Banking Income excl. PEL/CEL effect	5,579	5,528	0.9 %
Operating expenses	(4,692)	(4,615)	1.7 %
Gross operating profit	955	955	0.0 %
Cost of risk	(178)	(183) ⁽¹⁾	-2.6 %
Operating profit	777	772	0.6 %
Share of profits of associates and joint ventures*	282	268	5.2 %
Pre-tax profit	1,059	1,039	1.9 %
Income tax	(273)	(274)	-0.3 %
Attributable net profit	780	726	7.5 %
Cost/income ratio	83.8 %	83.4 %	0.3 point

* Mainly CNP Assurances, and AEW for €6.2 million.

Consolidated net banking income rose by 1.4% to €5,647 million, despite the persistently low interest rate environment. Excluding the PEL/CEL effect, the increase worked out at 0.9%. Adjusted for the €69 million impact of the cap on bank incident fees for vulnerable customers, net banking income was 2.6% higher at €5,716 million.

Adjusted for the costs incurred to support the integration of CNP Assurances, operating expenses amounted to €4,665 million, an increase of 1.1% that was due to the cost of measures to

strengthen La Banque Postale's corporate units and IT spending to support business growth. The higher costs led to a 0.3-point increase in the cost/income ratio to 83.8%.

The cost of risk⁽²⁾ remained at a very low level of €178 million. The ratio of cost of risk to Retail Banking outstanding loans stood at 15 basis points, an increase of 1 point compared with 2018, reflecting La Banque Postale's prudent management.

Pre-tax profit was up 1.9% at €1,059 million. Attributable net profit came in at €780 million, an increase of 7.5% over 2018.

(1) Including a €50 million provision for the fine imposed by the banking supervisor (ACPR)

(2) Annualised cost of risk.

3.3 ACTIVITIES AND RESULTS BY BUSINESS LINE

3.3.1 Retail Banking

Retail Banking (in € millions)	2019	2018	%
Net Banking Income	5,241	5,156	1.6 %
Operating expenses	(4,466)	(4,395)	1.6 %
Gross operating profit	775	762	1.7 %
Cost of risk	(178)	(183) ⁽¹⁾	- 2.3 %
Operating profit	596	579	3.0 %

Solid financial results

The Retail Banking Division reported net banking income of €5,241 million, up 1.6%. Restated for PEL/CEL effects, net banking income came to €5,172 million, up 1.1%. Excluding the effect of the cap on bank incident fees for vulnerable customers (for €69 million), net banking income was 3% higher at €5,310 million. The net interest margin (including PEL/CEL effects) increased by 6% in 2019.

Operating expenses for the Retail Banking business were up 1.6% at €4,466 million.

The cost of risk⁽²⁾ remained at a very low level of €178 million. The ratio of cost of risk to Retail Banking outstanding loans stood at 15 basis points, an increase of 1 point compared with 2018.

The operating profit of the Retail Banking business rose 3% to €596 million.

Strong growth in personal finance (up 5.5%) and higher savings deposits (up 3%)

Outstanding personal loans rose by 5.5% overall to €68.9 billion, including home loans for €63.8 billion (up 5.5% over the period) and €5.2 billion in consumer loans (up 5.2%).

Home loan originations totalled €12.4 billion over the year, an increase of 20.6%.

Consumer loan originations also continued to grow, rising 6% to €2.7 billion. Personal loans obtained on-line or via the remote platform remain at a high level and now represent 38% of total production.

The network's banking advisors successfully placed with Retail Banking customers €464 million worth of La Banque Postale EMTNs structured by the Corporate and Investment Banking Division.

Outstanding deposits rose by 8.3% over the year to €71.1 billion. This increase concerned sight deposits by both personal banking customers (for €61.9 billion, up 6.1%) and businesses, which now total €9.2 billion (up 26.2%).

Life insurance outstandings increased by 2% to €126.7 billion. The sales momentum was good with the gross inflow of funds up 4.8% at €8.7 billion.

The Livret A regulated passbook savings account continued to be attractive in last year's persistently low interest rate environment. Savings invested in these accounts rose by 1.5% over the year to €61.5 billion. In all, customer deposits in regulated savings accounts (Livret A, Livret d'épargne populaire and Livret développement durable et solidaire accounts) rose by a modest 0.8% to €82.7 billion at end-2019.

Total customer deposits in savings accounts grew by €9.6 billion or 3% over the year to €324.1 billion at 31 December 2019.

Strong demand for wealth management services offered by BPE, La Banque Postale's private banking arm

In 2019, BPE strengthened its position as a provider of local private banking services, by leveraging the personalised wealth planning, wealth management, financial advisor-directed asset management, and financing expertise available in the 30 BPE branches and the 45 dedicated wealth management spaces in post offices. The engagement of its 400 employees (including 200 private bankers and 30 portfolio managers) helped to drive 14.9% growth in managed savings to over €9.6 billion. Loan originations also rose sharply (up 18%), lifting outstanding loans to €3.5 billion (up 12.3%) at 31 December 2019.

(1) Including a €50 million provision for the fine imposed by the banking supervisor (ACPR)

(2) Annualised cost of risk.

Rapid growth in lending to businesses

Commercial loan originations rose by 38% in 2019 to €37.3 billion, led by solid growth in factoring services (with €13 billion worth of invoices purchased *versus* €7 billion in 2018).

Outstanding loans also increased year on year, to €33.4 billion at 31 December 2019 (up 23%). The total breaks down as follows: €23.2 billion in loans to businesses, very small enterprises and

professionals (up 25.4%) and €10.2 billion in loans to the local public sector and social landlords (up 17.8%).

For its part, the Corporate and Investment Banking Division provided some €1 billion in financing for renewable energy projects in 2019.

In all, loan outstandings increased by 10.6% to €102.4 billion.

3.3.2 Asset management

(in € millions)	2019	2018	%
Net Banking Income	155	153	1.7 %
Operating expenses	(93)	(93)	0.3 %
Gross operating profit	63	60	3.7 %
Cost of risk	0	0	n.m.
Operating profit	63	60	3.7 %

The asset management business ended the year with operating profit up 3.7%. The increase reflected growth in the carrying amount of assets under management (up 6.2% to €231.6 billion), led by the market effect corresponding for the most part to last year's strong stock market performances.

Operating expenses were stable (up 0.3%), despite the development costs incurred during the year and the cost of projects in progress in the asset management subsidiaries.

LBPAM, the only non-specialised manager committed to building a 100%-SRI offer by the end of 2020

LBPAM is following a three-pronged approach to its SRI strategy:

- ▶ the first step is to apply ESG screens to the manager's investment universe;

- ▶ the ESG criteria are then analysed using the proprietary GREAT model based on the LBPAM analysts' convictions rather than on stocks selected by the rating agencies;

- ▶ all funds included in the offer must be certified as SRI funds by France's Ministry of the Economy. Compliance with these rules and the quality of the management process are audited on site by an independent third party.

As of 31 December 2019, LBPAM was already managing €137 billion worth of SRI funds, representing 60% of its total assets under management. La Banque Postale has confirmed the objective of meeting the 100% SRI target by the end of 2020.

LBPAM's 100% SRI funds have performed exceptionally well, in terms of both financial yields and ESG criteria. An international rating organisation ranked the LBPAM ISR Actions Euro, LBPAM ISR Actions Europe and LBPAM ISR Actions Environnement funds among the five best European funds in 2019 for the quality of the environmental policies of the companies in the portfolios.

3.3.3 Insurance

(in € millions)	2019	2018	%	2019 pro forma	%
Net Banking Income	251	261	-4.0 %	299	14.7 %
Operating expenses	(133)	(128)	3.7 %	(133)	3.7 %
Gross operating profit	118	133	-11.4 %	167	25.2 %
Cost of risk	0	0	n.m.	0	n.m.
Operating profit	118	132	-11.0 %	167	25.8 %

The Insurance Division's contribution to net banking income contracted by 4% in 2019 to €251 million. Excluding non-recurring costs incurred for the acquisition of Groupama's minority interest in La Banque Postale Assurances IARD, the year-on-year change was a 14.7% increase to €299 million.

The insurance subsidiaries' operating expenses rose by 3.7% to €133 million, reflecting the full-year impact of opening two new customer relations centres.

Their contribution to operating profit, adjusted for non-recurring items, was 25.8% higher at €167 million.

Death/disability, Health and Property & Casualty subsidiaries:

The non-life business enjoyed strong momentum in 2019, thanks to the realignment of the product offer based on customers' changing needs, the digital transformation and action to streamline policy underwriting and administration processes:

- ▶ the portfolio of P&C insurance contracts (39% of the total portfolio) increased by 4% over the period to nearly 1,800,000 contracts at end-2019;
- ▶ the Health insurance portfolio (4% of the total portfolio) also increased by 4%, to over 200,000 contracts;

- ▶ the portfolio of death/disability insurance contracts (57% of the total portfolio) matched its prior-year performance for the product line-up, with some 2,700,000 contracts.

Life Insurance and Term Creditor Insurance:

La Banque Postale's life outstandings, covering policies sold through all of its distribution channels (LBP Personnes Physiques et Personnes Morales, BPE, EasyBourse), represented €126.7 billion at 31 December 2019. Linked liabilities accounted for 12.3% of the total *versus* 10.8% in 2018, reflecting the very favourable market effect and the net inflow of new money into unit-linked funds.

3.3.4 Financial structure

The consolidated balance sheet total increased to €271.7 billion at 31 December 2019, from €245.2 billion at 31 December 2018, reflecting last year's 10.6% growth in outstanding loans to €102.4 billion.

La Banque Postale has a robust financial structure, with total regulatory own funds of €12.4 billion at 31 December 2019:

- ▶ the Common Equity Tier 1 ratio improved by 0.5 points over the year to 12.2%, following the conversion into shares in first-half 2019 of the €800 million in AT1 bonds held by La Poste;
- ▶ the Tier 1 ratio stood at 13.2% at end-2019, following the €750 million inaugural AT1 issue in November 2019;
- ▶ the total capital ratio was unchanged from 31 December 2018 at 16.2%;
- ▶ the leverage ratio, excluding savings funds transferred to CDC, stood at 4.5%⁽¹⁾.

Based on the above, La Banque Postale's ROE⁽²⁾ was 8.4% at 31 December 2019.

La Banque Postale's liquidity position remains comfortable:

- ▶ the LCR at 31 December 2019 was 153% compared to 145% at 31 December 2018, up 8 points;
- ▶ the loans-to-deposits ratio increased by 3.6 points over the year to 90%, due to growth in La Banque Postale's lending activities.

During the year, the rating agencies re-affirmed the short- and long-term credit ratings of La Banque Postale which are, respectively, A-/F1 for Fitch with a Stable outlook and A/A-1 for S&P with a Positive outlook.

	Standard & Poor's	Fitch
Long-term rating	A	A-
Short-term rating	A-1	F1
Outlook	Positive	Stable
Ratings updated on	18 December 2019	10 October 2019

In 2019, La Banque Postale diversified its sources of financing by carrying out several benchmark inaugural issues. These included a senior non-preferred green bond issue due 2029, a senior preferred bond issue due 2026 and a perpetual AT1 issue. Each of these issues was least two times oversubscribed, illustrating La Banque Postale's attractiveness to a wide investor base.

(1) The leverage ratio calculated by applying the May 2019 decision of the European Central Bank (excluding 50% of the centralised savings funds) was 3.9%.

(2) ROE = Attributable net profit/Average attributable permanent own funds.

3.4 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet total stood at €271.7 billion at 31 December 2019, up €26.5 billion (11%) compared with 31 December 2018.

The main asset items in the balance sheet comprised:

- ▶ financial assets at fair value through profit or loss (€10.9 billion at 31 December 2019 *versus* €10.2 billion as reported at 31 December 2018). These consist primarily of government securities, bonds and other fixed-income securities in the amount of €7.8 billion;
- ▶ financial assets at fair value through other comprehensive income (€15 billion at 31 December 2019 *versus* €13.9 billion as reported at 31 December 2018). These consist for the most part of bonds for €10.6 billion and government paper and similar securities for €4.1 billion;
- ▶ loans and receivables due from credit institutions at amortised cost (€70.6 billion at 31 December 2019 compared with €87.4 billion as reported at 31 December 2018). The amount of €70.6 billion includes funds held in Livret A, Livret de développement durable et solidaire (LDDS) and Livret d'épargne populaire (LEP) regulated savings accounts transferred to the Caisse des dépôts for €67.4 billion;
- ▶ loans and receivables due from customers at amortised cost (€113.6 billion at 31 December 2019 compared with €95.7 billion as reported at 31 December 2018). This item mainly includes outstanding home loans, consumer loans and

corporate (businesses, professionals and local public sector) loans;

- ▶ securities at amortised cost (€28 billion at 31 December 2019 *versus* €23.6 billion as reported at 31 December 2018), consisting primarily of government paper and similar securities and bonds.

The main liability items in the balance sheet, apart from attributable equity of €11.7 billion, are:

- ▶ liabilities due to credit institutions and similar for €30.7 billion (*versus* €18.9 billion as reported at 31 December 2018). This item mainly includes securities sold under collateralised repo agreements for €25.3 billion *versus* €14.6 billion at 31 December 2018;
- ▶ liabilities due to customers for €191 billion (*versus* €185.8 billion as reported at 31 December 2018). This item comprises sight deposits for €71.1 billion and regulated savings accounts for €114.9 billion, including €31.4 billion in home savings, €61.5 billion in Livret A accounts and €22.1 billion in other regulated savings accounts (LEP, LDDS and other passbook savings accounts);
- ▶ debt securities for €23.7 billion (*versus* €16.9 billion as reported at 31 December 2018);
- ▶ subordinated debt for €3.1 billion (*versus* €3.9 billion as reported at 31 December 2018).

La Banque Postale's ROA⁽¹⁾ was 0.29% at 31 December 2019.

3

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

3.5 ADDITIONAL INFORMATION

3.5.1 French Economic Modernisation Act (LME) information - Suppliers' terms of payment

In application of Article D. 441-4 of the French Commercial Code (*Code de commerce*), information about supplier payments breaks down as follows at 31 December 2019:

(in €)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) TRADE PAYABLES SCHEDULE						
Number of invoices concerned	53	-	-	-	-	5,656
Total amount of invoices concerned including VAT	688,944	4,870,748	2,614,606	2,042,148	4,145,666	13,673,168
Percentage of total amount of purchases for the year including VAT	0.02 %	0.11 %	0.06 %	0.05 %	0.10 %	0.32 %
Percentage of revenue for the year (specify: excl. or incl. VAT)	-	-	-	-	-	-
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES						
Number of invoices excluded	-	-	-	-	-	-
Total amount of invoices excluded (specify: excl. or incl. VAT)	-	-	-	-	-	-
(C) REFERENCE PAYMENT TERMS (CONTRACTUAL OR STATUTORY TERMS PURSUANT TO ARTICLE L. 441-6 OR L. 443-1 OF THE FRENCH COMMERCIAL CODE)						
Payment terms used to calculate past due payments	Contractual terms					

This information does not include bank data or related transactions.

For customer payment schedules, please see Note 2.17 of La Banque Postale's financial statements showing the detail of customer loan transactions by time remaining.

At 31 December 2018, information about supplier payments breaks down as follows:

(in €)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) TRADE PAYABLES SCHEDULE						
Number of invoices concerned	66	-	-	-	-	4,787
Total amount of invoices concerned including VAT	224,625	6,545,797	1,052,186	1,824,955	1,297,035	10,719,972
Percentage of total amount of purchases for the year including VAT	0.01 %	0.15 %	0.02 %	0.04 %	0.03 %	0.25 %
Percentage of revenue for the year (specify: excl. or incl. VAT)	-	-	-	-	-	-
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED PAYABLES AND RECEIVABLES						
Number of invoices excluded	-	-	-	-	-	-
Total amount of invoices excluded (specify: excl. or incl. VAT)	-	-	-	-	-	-
(C) REFERENCE PAYMENT TERMS (CONTRACTUAL OR STATUTORY TERMS PURSUANT TO ARTICLE L. 441-6 OR L. 443-1 OF THE FRENCH COMMERCIAL CODE)						
Payment terms used to calculate past due payments	Contractual terms					

This information does not include bank data or related transactions.

3.5.2 Amount of non-tax-deductible expenses

The amount of non-tax deductible expenses, as listed in Article 39-4 of the French General Tax Code (*Code général des impôts*), was not material.

3.5.3 Research and development, patents and licences

Research and development expenditure is not material.

3.5.4 Table of delegations granted by the General Meeting of Shareholders and their use in 2018

General Meeting	Purpose of the authorisation given to the Executive Board	Delegation validity period	Limit	Use in 2018
None	None	None	None	None

3.5.5 La Banque Postale 2019 results and appropriation of profit

In 2019, La Banque Postale SA's net banking income was €4,409 million (compared to €4,524 million in 2018). The decrease in net banking income was essentially due to the decline in commissions received further to the capping of bank incident fees. The decline in net income from trading portfolios was offset by the impact of provisions on investment securities portfolios.

Operating expenses were kept under control and stable (up 0.1%) at €4,024 million.

The cost of risk remained low at €100 million (down 33.8%). The decrease reflected a change in the models used to calculate provisions for outstanding loans in the first half of the year.

Operating profit for the year was €117 million, compared to €148 million in 2018. After taking into account gains and losses on non-current assets, for net income of €313 million, and net income tax expense of €141 million, La Banque Postale SA's net profit was €289 million in 2019 compared to €125 million in 2018.

(in euros)

Net profit for the period	288,928,950.83
- Allocation to the legal reserve	(14,446,447.54)
+ Retained earnings brought forward from prior year	924,159,271.09
TOTAL	1,198,641,774.38

Proposed appropriation

To the payment of a dividend	351,200,223.60
► to retained earnings	847,441,550.78
TOTAL	1,198,641,774.38

The dividend is eligible for the tax allowance provided for in Paragraph 3, sub-paragraph 2, of Article 158 of the French General Tax Code. It will be paid on 30 June 2020 at the latest.

Dividends paid over the past three years

Financial year	Number of shares	Total payout	Dividend per share
2016	35,186,153	€312,101,177.11	€8.87
2017	35,186,153	€343,768,714.81	€9.77
2018	35,186,153	€326,527,499.84	€9.28

3.5.6 Investments

La Banque Postale did not make any significant investments (in excess of €1 billion) in 2018 (or in 2017 or 2016).

3.5.7 Internal control

La Banque Postale's governance framework provides assurance that the Group complies with its external obligations and internal framework. Supported by a risk management system that is based on three lines of defence (the business lines' operations departments, the Group Risk Department and the Compliance Department, and the Internal Audit Department) and represents the overall internal control framework, La Banque Postale must ensure that outsourced activities are included in the system, in accordance with the applicable regulations (Government order of 3 November 2014 and European Banking Authority guidelines on outsourcing issued in February 2019)

The internal control system is aligned with the nature and volume of La Banque Postale's operations and its risk exposures. It covers all of the businesses carried out by the parent company and its exclusively and jointly controlled subsidiaries, La Poste Network entities working in its name and on its behalf and service providers responsible for providing essential services.

3.5.7.1 Internal control reference framework

The reference framework for La Banque Postale's internal control system comprises:

- ▶ the French Monetary and Financial Code;
- ▶ Government order of 3 November 2014 on the additional monitoring of financial conglomerates;
- ▶ Government order of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors supervised by the French prudential supervision and resolution authority (*Autorité de contrôle prudentiel et de résolution* – ACPR);
- ▶ Government order of 3 November 2014 on prudential supervision on a consolidated basis;
- ▶ European Banking Authority guidelines dated September 2017 on internal governance (applicable since the beginning of July 2018);
- ▶ European Banking Authority guidelines dated February 2019 on outsourcing (applicable since September 2019).

Under regulatory guidelines, the governance, risk management and control, and minimum capital requirements applicable to supervised financial institutions are adapted take into account the institution's materiality.

To ensure compliance at all times with the regulatory ratios (capital, liquidity and leverage), institutions must have systems to

measure incurred and potential risks, as well as capital and liquidity management systems. La Banque Postale has been identified as a systemically important financial institution, and as such is concerned by this recommendation.

It is the responsibility of the Supervisory Board to review and assess the effectiveness of La Banque Postale's risk management system, and to approve and regularly review the strategies governing the acceptance, management, monitoring and reduction of known and potential risks. Government order of 3 November 2014 on internal control describes the Supervisory Board's role in defining supervision guidelines and policies, approving overall exposure limits, establishing contingency plan strategies and deciding remuneration policies.

To fulfil this role, members of the Supervisory Board must have the necessary knowledge, skills and expertise to understand and monitor the Group's risk-taking strategy and risk appetite. For this reason, the ECB has been given increased powers over the appointment and assessment of directors and the persons effectively responsible for running the undertaking.

3.5.7.2 Internal control framework

La Banque Postale uses the concept of lines of defence to describe its organisation from the standpoint of risk management and good management practices. The risk management system is based on three lines of defence that constitute the internal control framework:

FIRST LINE OF DEFENCE

The Group recognises that all commercial and support activities entail risks and that the most effective way to manage these risks is to ensure that the teams responsible for these activities are knowledgeable and accountable. For this reason, each Group entity has prime responsibility for managing its risks. 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 the Group Risk Department. In other words, risks are accepted, managed and monitored and warnings are issued in accordance with the rules set by the Group.

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

As a result, the business lines' operational departments constitute the first line of defence.

SECOND LINE OF DEFENCE

In accordance with the Government order of 3 November 2014 on internal control, responsibility for permanent controls lies with the Group Risk Department and the Compliance Department.

The Group Risk Department (GRD) is the key risk management function and leads the process. This function is referred to as the risk organisation within the Group. The GRD is tasked with developing risk measurement and monitoring systems and risk management procedures. It ensures that these systems and procedures are deployed and that actual risk exposures are compatible with the risk appetite defined and approved by the Supervisory Board as well as with the related exposure limits.

The risk organisation is responsible for strategic and business risks, intragroup risks, credit and counterparty risks, market risks, liquidity risks, banking book risks, operational risks, insurance underwriting risks and other risks.

The Compliance Department is responsible for defining the compliance risk management framework⁽¹⁾. In the Group's Compliance Charter, "compliance risk" is defined as combining both compliance risk and conduct risk. The Department's responsibilities are fulfilled by:

- ▶ developing, disseminating and controlling Group compliance procedures in accordance with the applicable regulations and ethics rules;
- ▶ rolling out and controlling Group compliance procedures at Compliance Department level and in the subsidiaries;
- ▶ managing the Group's compliance processes in the following areas:
 - financial security, by setting up systems to monitor application of economic sanctions and asset freezes, and an anti-money

laundering and terrorist financing (AML/TF) system supported by appropriate computer applications,

- customer protection, through a product governance procedure (new products/changes to existing products) and a procedure to review complaint data, both of which are designed to improve existing systems,
- fraud risk identification and management, dissemination of watertight fraud management procedures, awareness-raising initiatives targeting the people involved in these procedures and fraud prevention tools. This activity is conducted with the Operational Risks unit.

THIRD LINE OF DEFENCE

The Internal Audit Department is the last line of defence. It performs periodic controls for the Risk Department and the Compliance Department in addition to all Group entities. This system is described in La Banque Postale's Periodic Controls Charter. The broad objectives defined by Internal Audit and validated by the Executive Board are as follows:

- ▶ provide assurance to Executive Management and the Supervisory Board about the management of risks and the legitimacy and compliance of La Banque Postale's transactions;
- ▶ assess La Banque Postale's operational efficiency and productivity in relation to its objectives;
- ▶ assess the systems deployed to ensure that customer service is of a high quality and is constantly improved;
- ▶ create a centre of excellence to train managers capable of moving up in the organisation.



La Banque Postale's internal control framework is defined in the following documents:

- ▶ the Risk Organisation Charter prepared by the Group Risk Department;
- ▶ the Compliance Charter prepared by the Compliance Department;
- ▶ the La Banque Postale Group Periodic Control Charter prepared by the Internal Audit Department.

(1) Article 10 of the Government order of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors supervised by the ACPR.

These charters describe the risk management and control principles providing assurance that each entity responsible for their application complies with the relevant internal and external requirements. Risk management and control are a Group responsibility. The control principles applied by La Banque Postale are as follows:

- ▶ responsibility and accountability of all persons involved, representing the foundation of an effective management and control system. All employees must ensure that the tasks they perform and the transactions they process are executed in accordance with the applicable procedures and the required level of quality. They must be in a position to respond to questions about the management of their activities and the related risks at any time. This principle relies on close involvement of managers.
- ▶ appropriate balance between controls and the risks to be managed. Each manager analyses the risks associated with his or her activities and implements appropriate controls in order to achieve a reasonable level of assurance that these activities are properly managed, and that they comply with La Banque Postale's internal and external standards and regulations;
- ▶ comprehensive coverage of all of La Banque Postale's activities by the control system. The procedures apply to all classes of risk, to all of La Banque Postale's direct employees, as well as all persons acting in its name and on its behalf, and to all Group entities. The internal control procedures also extend to services that have been outsourced.

3.5.7.2.1 Control procedures performed as close as possible to the activities concerned

La Banque Postale has established a specific system for transactions carried out within its network. The aim of this system is to control risks associated with the transactions executed in post offices, in coordination with La Poste Network.

The Executive Management of La Poste Network is responsible for designing and managing level 1 controls over the post offices' banking activities.

Level 2 banking controls are conducted by controllers dedicated to the core banking businesses. In particular, banking controllers employed by La Banque Postale perform level 2 controls on the banking transactions carried out in the post offices and Business Centres; these controllers report to La Banque Postale's Regional Control Managers under the supervision of the Permanent Control unit of the Group Risk Department.

3.5.7.2.2 Internal control functions

La Banque Postale's internal control and risk management system is organised around the risk control, management and monitoring functions (with procedures performed as close as possible to the activities concerned). It covers both permanent controls and periodic controls.

Permanent control units

The Group Risk Department is the key risk management function and leads the process.

"The Head of the Group Risk Department (GRD), who reports to La Banque Postale's General Secretary, is responsible for the Group's risk management function (the risk organisation). The Head of the Group Risk Department does not perform any other duties and is independent from the activities that the GRD controls."

"The risk organisation consists of central functions within the Group Risk Department and decentralised functions within the Group entities or working on behalf of the Group."

The risk organisation's role and responsibilities are as follows:

1) Define and lead the risk management framework:

- a. Map/identify the Group's risk exposures
- b. Establish a structured and documented risk appetite, supported by consistent and size-appropriate exposure limits and a clear procedure for escalating any situations where the limits have been exceeded
- c. Define a clear, shared, activity-specific risk management system (acceptance, monitoring, management, mitigation)
- d. Develop robust risk measurement methodologies and systems that are proportionate to the Group's actual risk exposures
- e. Establish a governance system with clear delegations of authority for reporting and decision-making purposes
- f. Anticipate new risks (regulatory watch, stress tests, new product processes, etc.)
- g. Produce internal reports to manage and monitor risks on a consolidated basis
- h. Ensure that the system is rolled out consistently in each Group entity (business lines or subsidiaries)
- i. Ensure that risks are adequately covered (level of provisions, level of required capital, level of liquid assets, etc.)

2) Define and lead the permanent control framework:

- a. Coordinate preparation of a consolidated permanent control plan linked to the risks identified in the risk map
- b. Develop robust risk measurement methodologies and systems that are proportionate to the Group's actual risk exposures
- c. Make available, maintain and adapt the computer applications needed to perform the controls
- d. Lead implementation of the control programme in accordance with the principles of permanence, proportionality, independence and impartiality
- e. Ensure that appropriate corrective action is effectively taken to implement recommendations addressing cases where risk and compliance procedures or policies have not been adhered to.
- f. Coordinate consolidation of level 2 control results and monitor any corrective action for internal and external reporting purposes

3) Produce risk reports for external stakeholders:

- a. Produce regulatory reports for the banking supervisor
- b. Contribute to the production of information on risks for inclusion in external reports (URD/Pillar 3, Groupe La Poste, etc.)

4) Deploy the necessary human resources (number and skill sets), as well as financial and IT resources to ensure effective leadership of the risk management and control framework

The **Compliance Department** is responsible for managing compliance risk. In La Banque Postale Group's Compliance Charter, "compliance risk" is defined as combining both compliance risk and conduct risk. The Department's responsibilities are fulfilled via:

- the development, dissemination and strict application of ethics rules;
- compliance with AMF rules for investment services;
- management of procedures to combat money laundering and the financing of terrorism, and determination of procedures, and management of applications and Tracfin (the French Ministry of Finance's financial crime unit) reports;
- assistance in preparing sales materials and new product documentation;
- operational management of fraud prevention measures, working jointly with the Operational Risks unit. This involves identifying and managing fraud risk, disseminating watertight fraud management procedures, launching awareness-raising initiatives targeting the people involved in these procedures and deploying fraud prevention tools.

The Head of Compliance reports to La Banque Postale's General Secretary, who is a member of the Executive Board.

The Internal Audit Department is dedicated to periodic audits

The **Internal Audit Department** is responsible for periodic audits as defined in the Government order of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors supervised by the ACPR. It assesses the quality of risk management and internal control processes.

The Group Head of Internal Audit reports to the Chairman of La Banque Postale's Executive Board.

The Internal Audit Department's main task is to verify, with regard to all of La Banque Postale Group's businesses, and in accordance with Article 17 of the above-mentioned Government order:

- ▶ the compliance of transactions;
- ▶ actual risk exposures;
- ▶ adherence to procedures;
- ▶ the effectiveness and suitability of permanent control measures.

To this end, the Internal Audit Department assesses:

- ▶ risk management, as well as the legitimacy and compliance of La Banque Postale's transactions;
- ▶ La Banque Postale's operational efficiency and productivity in relation to its objectives;
- ▶ the systems deployed, to ensure that customer service is of a high quality and is constantly improved.

The Internal Audit Department is divided into two audit units and a support unit.

Audit units:

- ▶ The **"Banking/Insurance Audit" unit** performs audits on specific topics, cross-functional audits, process audits and audits of entire entities at all Group companies and across all businesses.
- ▶ The **"Specialist Audit" unit (Modelled Risks and Information Systems)** performs specialist audits and provides technical support to the Banking/Insurance Audit unit.

The **Support unit, managed by the Audit Quality and Resources unit**, performs the following tasks:

- ▶ follow-up of the implementation of action plans by the audited units;
- ▶ coordination of on-site controls and audits conducted by external bodies (supervisory authorities, La Poste Group statutory auditors, etc.);
- ▶ standards and methods;
- ▶ quality and associated controls;
- ▶ datamining;
- ▶ project and tools management;
- ▶ development of teams.

3.5.7.2.3 Top-level management structures dedicated to control procedures

The Supervisory Board has set up the following committees to assist it in the tasks of establishing guidelines and overseeing the implementation of monitoring systems, and reviewing internal control activities and results:

- ▶ an **Accounts Committee** responsible for:
 - ensuring that reported information is clear and that accounting methods are appropriate (by reviewing the draft financial statements of La Banque Postale and the Group prior to their presentation to the Supervisory Board, reviewing the choice of accounting standards and the scope of consolidation, reviewing the process for preparing financial information);
 - participating in the statutory auditor selection process, in line with the La Poste Group's policy, and verifying their independence and objectivity (recommendation to the Supervisory Board concerning their appointment or re-appointment and their fee proposal, review and monitoring of the statutory auditors' work and findings).

The Accounts Committee is chaired by an independent Supervisory Board member. It meets as frequently as necessary. Five meetings were held in 2019, with a 97% attendance rate.

- ▶ a **Risk Committee** responsible for:
 - a) assessing the quality of internal control procedures by:
 - reviewing La Banque Postale's risk management principles,
 - reviewing the compliance control system,
 - reviewing internal control activities and results,
 - reviewing the reports to be submitted to the ACPR and other supervisory authorities,
 - reviewing La Banque Postale's periodic control programme,
 - reviewing processes to track implementation of the principal recommendations of banking inspectors and the supervisory authorities;

- b) reviewing La Banque Postale's Internal Audit Charter, Risk Organisation Charter and Permanent Control Charter;
- c) obtaining assurance that La Banque Postale's remuneration policy and practices are compatible with its position.

The Risk Committee also carries out the missions provided for in the French Monetary and Financial Code and the Government order of 3 November 2014 on internal control. It prepares proposals for internal audits of compliance obligations and risk management for the Supervisory Board. It reports to the Board on these proposals.

The Risk Committee is chaired by an independent member of the Supervisory Board. It meets as frequently as necessary. Six meetings were held in 2019, with a 96% attendance rate.

Executive Board committees, chaired by one of its members, organise and steer La Banque Postale Group's risk management: the Group Risk Management Committee (GRMC), the Internal Control and Ethics Coordinating Committee (ICECC), La Banque Postale's Anti-Money Laundering and Terrorist Financing Committee (AML/TFC) and the Group Anti-Money Laundering and Terrorist Financing Committee (Group AML/TFC).

► **Group Risk Management Committee (GRMC)**

Starting with a review of changes in risk measurement indicators and the findings of risk controls, the Group Risk Management Committee:

- decides on La Banque Postale Group's Risk Management Policy;
- reviews the most sensitive risk areas (notably, loans on the watch list, loans to customers in difficulties and loans for which legal collection procedures have been launched) and monitors their coverage level (notably, provisions);
- reviews threats to La Banque Postale's balance sheet structure, results, or management ratios (capital, liquidity, etc.) and informs the Executive Board;
- provides an update on measures to prevent money laundering and the financing of terrorism at each of its meetings (monitoring of anti-money laundering screening, alerts, politically exposed persons, etc.).

The Group Risk Department is responsible for rolling down the Committee's decisions in briefing or procedure memos distributed to the entities concerned (notably via the risk organisation) and ensuring that the decisions are implemented.

The Group Risk Management Committee is chaired by the General Secretary, who is the member of the Executive Board in charge of internal control. The monthly meetings of the Committee are led by La Banque Postale's Head of Group Risk.

The Committee is assisted by three technical subcommittees:

- **the Standards Validation Committee** chaired by La Banque Postale's Head of Group Risk or his/her representative, which approves the Group standards signed off on by a member of the Executive Board;
- **the Models Validation Committee** chaired by La Banque Postale's Head of Group Risk or his/her representative, which approves the models used to measure and control risks signed off on by a member of the Executive Board;
- **the Outsourcing Risks Approval Committee (ORAC)** chaired by La Banque Postale's Head of Group Risk or his/her representative, which meets as and when required.

► **Internal Control and Ethics Coordinating Committee (ICECC)**

The Internal Control and Ethics Coordinating Committee (ICECC) reviews:

- the permanent control plan's coverage of risk (implementation rate of the control plans; results and implications of the main controls);
- the Internal Audit programme's coverage of risk;
- compliance/customer protection reports;
- compliance in project implementation (GDPR, MiFID II, etc.);
- ethics issues;
- regulatory developments (excluding prudential topics).

The Committee obtains assurance concerning the completeness of the internal control system's coverage of La Banque Postale Group's activities and the adequacy of the system's resources.

With respect to ethics, the Committee reviews the application of the rules and their compliance with regulatory developments, as well as the updating of the list of employees in sensitive positions. It examines major conflicts of interest.

The Committee approves the reference documents (Policy, Charter, etc.) on internal control, compliance and ethics.

The Internal Control and Ethics Coordinating Committee is chaired by the General Secretary, who is the member of the Executive Board in charge of internal control. Meetings are held at four-monthly intervals and are led by the Head of Compliance.

► **La Banque Postale AML/TF Committee**

The responsibilities of La Banque Postale's Anti-Money Laundering and Terrorist Financing Committee (AML/TFC) are as follows:

- the periodic review of AML/TF risk maps;
- the regular review of AML/TF procedures in La Banque Postale's business lines;
- reporting any weaknesses or malfunctions in the AML/TF procedures;
- review of the results of work carried out jointly by La Banque Postale and La Poste Network regarding AML/TF;
- review and monitoring of the effectiveness of corrective action plans implemented to counter any malfunctions.

The Committee meets quarterly. It is chaired by the Chairman of the Executive Board and meetings are led by the Head of Compliance.

► **Group AML/TF Committee**

The Group Anti-Money Laundering and Terrorist Financing (AML/TF) Committee extends the responsibilities of La Banque Postale's AML/TFC to the subsidiaries which carry out commercial activities.

The subsidiaries in question are: BPE, EasyBourse, KissKissBankBank, La Banque Postale Assurances IARD, La Banque Postale Asset Management, La Banque Postale Assurance Santé, La Banque Postale Leasing & Factoring, La Banque Postale Financement, La Banque Postale Immobilier Conseil, La Banque Postale Prévoyance, Ma French Bank and SOFIAP.

The Group AML/TF Committee ensures that the rules, systems and risk maps are consistent across the Group.

The Committee meets every six months. It is chaired by the Chairman of the Executive Board and meetings are led by the Head of Compliance.

Employees of the risk organisation's risk and control functions at 31 December 2019⁽¹⁾

	Central functions	Local functions
► Risk organisation	313	568
► Total Risk organisation	881	
► Internal Audit Department	101	
► Compliance Department	150	
TOTAL EMPLOYEES OF THE RISK AND CONTROL FUNCTIONS AT 31 DECEMBER 2019	1,132	

3.5.7.3 Risk, Compliance and Internal Audit Departments' engagements in 2019

Changes in the risk organisation

In 2019, various changes were made to the risk organisation which defines the Group's risk management framework, with:

- deployment of a risk management and control system based on shared responsibility; the system is organised at two levels (Group, subsidiaries) and is led by the risk organisation. The subsidiaries have been assigned their own responsibilities so that each one forms a line of defence, the risk management and control system is led by the risk organisation and the Group Risk Department (GRD) is responsible for the overall coordination of the risk management system;
- risk functions set up for the non-banking subsidiaries (La Banque Postale Asset Management, Insurance Division) and the La Poste network;
- the risk organisation given authority over the control functions in La Banque Postale's subsidiaries;
- the elimination/updating of certain committees and creation of new committees to improve the risk organisation's governance (i.e., creation of an Executive Board Commitments Committee responsible for approving lending commitments in excess of €100 million and non-standard loan terms, as well as for making the final decision concerning loans that have been the subject of a disagreement at the highest level of delegated authority);
- the transfer, in early January, of the Credit Control PMO from the Corporate and Institutional Credit Risk Department (CICRD) to the Permanent Control Department;
- deployment of a new results and risks reporting organisation: the Financial Risk Department's Market Risk unit has taken over these functions from Corporate and Investment Banking. This organisation has been in place since the end of the second quarter.

Internal Audit Department

- 55 internal audits were performed in 2019, representing 78% of the programme:
 - 51 scheduled audits;
 - 15 additional audits;
 - six audits in which La Banque Postale's Internal Audit Department participated;
 - five audits included in the programme but not carried out during the year, including three covering loans to customers in difficulties; and
 - three audits included in the programme but not carried out by La Banque Postale's Internal Audit Department, on issues partly covered by external audits.
- Main areas covered:
 - compliance, with over 20 audits covering, for the most part, Know-Your-Customer procedures, anti-money laundering and terrorist financing procedures, customer protection and operational risks;
 - counterparty risk management, with seven audits covering consumer loans and home loans (including model risks);
 - Basel II, covering contingency plans, ICAAP, stress tests and provisions for credit losses;
 - subsidiaries covered were: BPE, LBPAS, LBPLF, LBPF, LBPIC, LBPAM and Tocqueville, LPB IARD, SOFIAP, eZyness and EasyBourse;
 - core regulatory issues (in addition to AML/TF), Outsourced Essential Services (OES), Contingency plans, ICAAP, vulnerable customers, Sapin 2 Act, Foreign Account Tax Compliance (FATC), MiFID II/PRIIPS/Insurance Distribution Directive, GDPR and Market Abuse;
 - information system risks, with seven audits specifically on these risks and many other audits also touching on information system issues;
 - model risk, with six audits including a general audit of model risk at La Banque Postale; and lastly;
 - CNP Assurances, with two audits at this group in preparation for working together.

The results of these audits were reported at Risk Committee meetings held in 2019.

Coverage of the audit environment is also provided by the Inter Internal Audit Committee (IIAC) for certain Outsourced Essential Services (OES). This Committee has been set up by eight French banks⁽²⁾ which have decided to pool their resources for the audit of shared OESs. Three full audits of OESs⁽³⁾, five follow-up audits⁽⁴⁾ and three exploratory audits⁽⁵⁾ were carried out at La Banque Postale under the IIAC's 2018 audit programme.

In addition, the Internal Audit Department followed up ten external audits in 2019 whose scope included La Banque Postale Group, including three by La Poste Group auditors, five by the supervisory authorities (ECB, ACPR, AMF, SICCFIN, SGFGAS, etc.) and three by partners (CNP Assurances, Allianz, etc.).

(1) Estimated at 31 December 2019, including employees assigned to the risk organisation on a part-time basis.

(2) BNP Paribas, Société Générale, Crédit Agricole SA, BPCE, CMCIC, La Banque Postale, CDC and HSBC France.

(3) Docapost DPS; IDEMIA for bank card production and personalisation. Société Générale, Crédit Agricole SA, BPCE, CMCIC, La Banque Postale, CDC, HSBC France.

(4) Stet, Idemia, Ediis, Docapost BPO, Monext/Nextalk, GIE CB, Gemalto, Diebold Nixdorf, Iron Mountain.

(5) Orange Business Services for the WAN network and landline system; Sopra Steria Group for development and maintenance services.

Throughout the year, the Internal Audit Department monitored implementation of the action plans prepared in response to the inspection reports and recommendations issued by the supervisory authorities following their on-site audits. As of 1 January 2020⁽¹⁾, 4,157 action plans had been drawn up, of which 2,793 had been fully implemented, 645 were in progress and 719 were behind schedule.

Compliance Department (CD)

The Compliance Department reports directly to the Executive Board and is responsible for:

- ▶ managing compliance risk as defined in Article "10p" of the Government order of 3 November 2014. The Department includes:
 - the Customer Protection unit (investment service provider liability, ethics, new products),
 - the Financial Transactions Security unit (anti-fraud processes, anti-money laundering and terrorist financing processes, and financial sanctions),
 - the Leadership and Steering unit (subsidiaries of La Banque Postale Group and La Poste Network);

The Financial Transactions Security unit manages AML/TF alerts and dedicated Compliance systems development projects. The unit is also responsible for managing La Banque Postale's relations with the French Ministry of Finance's financial crime unit, Tracfin (AML/TF), and with the Treasury (financial sanctions and embargoes) at national level.

The Financial Transactions Security unit has dedicated resources to carry out its work, including 14 regional Tracfin correspondents.

The dedicated, two-level regional AML/TF and financial sanctions unit

The local system is based on the Sector Heads for the post offices, the Operational Risk Managers in the Financial Centres and the Business Centre Heads for the commercial banking organisation.

The Sector Heads are responsible for applying AML/TF rules in the post offices and for level 1 controls. Level 2 controls are carried out by the banking controllers. They are responsible for preparing alerts which feed into the AML/TF unit's applications for combating money laundering.

- ▶ The Operational Risk Managers in the Financial Centres are responsible for risk management, including money laundering and terrorist financing risks. These responsibilities include:
 - monitoring specific risks related to sensitive customers and the termination of the business relationship;
 - monitoring alerts issued by the Centre's various units;
 - raising the awareness of and training the Financial Centre's staff with the support of the AML/TF units.
- ▶ In the commercial banking organisation, the Business Centre Heads have the same responsibilities as the Sector Heads with regard to the activities of specialist business centre advisors and the commercial banking client relationship managers.

AML/TF procedures

Alerts are handled by seven AML/TF units in the Financial Centres (representing some 60 employees), reporting to the Financial Transactions Security unit and responsible for analysing all alerts received from post offices, Business Centres and Financial Centres, as well as the alerts generated by the dedicated AML/TF software package.

Investigation files which have not been closed by the AML/TF units are sent to the 14 Tracfin correspondents who undertake further review and submit a report to Tracfin if the suspicion is confirmed.

Breaches of economic sanctions

An anti-terrorism unit is in charge of the entire procedure for handling first-level alerts stemming from the use of screening tools to scan financial sanction lists, and is responsible for monitoring high-risk countries, particularly fiscally non-cooperative countries and those listed for monitoring by the Financial Action Task Force (FATF).

Alerts which are not resolved at the first level are escalated to the dedicated Financial Transactions Security unit.

3.5.7.4 Controls applied to the preparation and processing of financial information

The preparation and processing of financial and accounting information is the responsibility of the Finance Department, which is made up of the Accounting, Management Control, Tax and Balance Sheet Management units, as well as the Public Affairs and Institutional and Financial Communications unit.

Accounting function

La Banque Postale's Accounting unit is responsible for the preparation and processing of accounting information. The unit's key tasks are to produce and publish high quality accounting information, supported by La Banque Postale's accounting organisation and using accounting project management resources. The Accounting unit describes and deploys the organisational and IT processes and structures used to produce the financial statements.

In addition to the Accounting unit, La Banque Postale's accounting organisation includes the banking back-office teams, who report to the Heads of the Financial Centres, or, in some cases, to business line management. La Banque Postale's Accounting unit provides these teams with the instructions and control programmes necessary to ensure the consistency and quality of the information produced. The accounting organisation also includes a centre specialising in processing the accounting information of La Banque Postale's general resources units, as well as the Corporate and Investment Banking Division's accounting team, which is responsible for recording financial market transactions in the accounts.

The Accounting unit coordinates the transaction evidencing and review programmes implemented by La Banque Postale's operations accounting units in the Financial Centres, the National Centres and the Corporate and Investment Banking Division, and in the general resources accounting units. These review and control programmes are revised based on the risk analysis carried out periodically when the financial statements are prepared and reviewed by the central financial statement review teams.

(1) Numérobis extract dated 1 January 2020.

The Accounting unit supplements this level 1 work by a set of level 2 controls, consisting of recurrent cross-functional controls designed to provide assurance concerning the quality and completeness of the level 1 work carried out in the operating entities. The control process, which is formally described in accounting review manuals, is also based on the transaction evidencing procedures and formal evidencing of accounts closing procedures provided for in the work programmes. The level 2 work is done by a dedicated accounts review team.

Level 2 reviews of the accounts are organised around the main activities: deposit and savings account management/lending activities/financial transactions/general resources/consolidation. The activities are broken down into review cycles that each result in the drafting of a monthly executive summary and detailed summaries during the review phase, presenting the significant events in the cycle, the results of the work and an analytical review of the activity.

The reviewers' work schedules are periodically updated, in order to:

- ▶ adapt to changes in the activities and the regulatory environment;
- ▶ include project-related changes;
- ▶ take into account newly identified risk factors, or conversely, risks that no longer apply;
- ▶ optimise control process efficiency as part of the drive to reduce accounts closing lead-times.

For the Retail Banking accounts, the reviews are performed by the Financial Centres which report the results to the Accounting unit; these reviews are backed up by review cycles performed on a sample of complete files. In this way, all the centres and cycles are tested several times a year. The work is also incorporated into an accounting quality trend chart, which gives a monthly overview of the test results and the quality of the level 1 system.

These recurrent checks are backed up by "pre-final" reviews, which begin one to two months before the closing date for the half-year and annual financial statements, and allow for a trial run by the contributors (centres, corporate departments). These procedures help to ensure that reporting deadlines will be met and that the procedures are reliable; they also provide interim information on the financial statements to the statutory auditors before they begin their work.

Regarding the scope of financial transactions, the Accounting unit is tightening the coordination process for the parties involved (Corporate and Investment Banking Division and Risk Department). The aim of this system, which consists of monitoring meetings and formal feedback channels, is to:

- ▶ provide the expected schedules for the control deliverables in advance;

- ▶ report comments by the auditors (Internal Audit, statutory auditors);
- ▶ define action plans allowing points for improvement to be implemented.

The entire accounts closing process is supplemented by meetings with the statutory auditors to review significant events and discuss accounting options before they are implemented (impact of applying new standards, accounting treatment of new products, changes in the scope of consolidation).

The Accounting unit also co-ordinates the consolidation of the companies that make up La Banque Postale Group by issuing consolidation instructions.

The process for producing the consolidated financial statements includes:

- ▶ the consolidation instructions sent to all subsidiaries in the scope of consolidation;
- ▶ meetings to present recent developments concerning the Group, and the Group's standards and processes, allowing for discussion within the subsidiaries' Accounting organisations;
- ▶ level 2 controls organised according to a control programme and control summaries, to permit a risk-based approach and coordinate the application of standards at the Group level;
- ▶ reconciliations between the management accounts and the financial statements;
- ▶ analytical reviews presented by the subsidiaries to the Group's Finance Department in the presence of the statutory auditors of the subsidiary and the Group.

The subsidiaries have their own structure that enables them to perform level 1 and 2 accounting controls within their organisation.

The Accounting unit is also in charge of producing regulatory reports (except for the prudential ratios produced by the Group Risk Department) for the French banking supervisor (ACPR) or the European supervisor.

Lastly, the Accounting unit has a dedicated function responsible for defining accounting standards applicable to the Group (IFRS) and La Banque Postale (French GAAP). This function writes the standards manual, interprets new standards and ensures their application in the Group's financial statements. It helps define accounting principles applicable to new business activities or products and responds to questions from the business lines and the accounting function concerning the implementation and application of standards. Regular memos are distributed to the various players within La Banque Postale to inform the business lines about possible changes or to remind them of the applicable principles and methods.

Management control function

Management control, supporting La Banque Postale's development and helping to improve its profitability

The **Management Control unit** is responsible for producing management information and it contributes to the preparation of financial information. Using economic and financial analyses, Management Control takes part in defining La Banque Postale's strategy, monitors the implementation of that strategy, identifies the areas of progress and proposes solutions. It also creates steering conditions which facilitate the management of the business and decision-making by operating unit and business line managers. The goal is to contribute to improving La Banque Postale's performance.

Operational management control is performed at the level of the business lines and placed under their responsibility. The business lines constitute a management reporting level (subsidiary or department) and are responsible for deploying the resources needed to produce this information to the required level of quality and standards.

The main tasks of the central Management Control unit, reporting to the Group Finance Department, are to:

- ▶ produce management reports and executive summaries on the business and its profitability for Management and the Shareholder;
- ▶ prepare and consolidate budgets and business plans;
- ▶ prepare budget execution reports and budget-to-actual comparisons;
- ▶ update short-term earnings forecasts or scenario analyses;
- ▶ act as a business partner for all of La Banque Postale's business lines and corporate departments;
- ▶ monitor the subsidiaries and Group investments administratively and financially;
- ▶ participate in the stress tests and report to the supervisor on the profitability indicators;
- ▶ participate in the rating agencies' reviews.

Management Control is also responsible for:

- ▶ analysing the performance of the Group, its business lines and its entities;
- ▶ monitoring the performance of the units and the half-year performance review by management during meetings of the relevant committees;
- ▶ instilling a value-based management culture throughout the network;

- ▶ managing the product pricing system based on contributions from the business lines;
- ▶ creating and developing a management system suited to the environment and situation of La Banque Postale;
- ▶ qualifying the information used in commercial performance reports on credit volumes and margins;
- ▶ preparing cost accounts and monitoring the resources used in operating the business;
- ▶ reviewing the return on supply projects and investments.

Financial communication function

All financial communications are prepared by the Public Affairs and Institutional and Financial Communications unit, the Head of which reports to La Banque Postale's General Secretary.

Its tasks consist of:

- ▶ coordinating and preparing the information published in financial press releases, earnings releases and presentations given to institutional investors, credit analysts and rating agencies, taking care to ensure that the messages are consistent;
- ▶ coordinating and preparing the regulated financial information submitted for approval to the AMF (Universal Registration Document and half-year update);
- ▶ monitoring regulatory developments and changes in local banking industry practices, with other Group functions;
- ▶ organising and coordinating relations with the rating agencies;
- ▶ together with other group functions, liaising with credit investors and the regulators (AMF in France and European Central Bank in Europe);
- ▶ ensuring that financial information is provided on La Banque Postale's website at www.labanquepostale.com.

It bases its work on:

- ▶ regulatory texts concerning financial information publication requirements (European Banking Authority regulations, AMF regulations, etc.);
- ▶ the "Financial Communications Framework and Practices" guide prepared by *Observatoire de la communication financière* under the aegis of the AMF;
- ▶ best banking industry practices observed and adopted by La Banque Postale.

3.5.8 Information about business locations and activities at 31 December 2019

Article L. 511-45 of the French Monetary and Financial Code requires that credit institutions publish information for the financial year ended 31 December 2019 concerning the business locations and activities included in their scope of consolidation, in each State or territory.

Locations by county at 31 December 2019

France

Retail Banking

La Banque Postale
SCI CRSF DOM
SCI CRSF Métropole
SCI Tertiaire Saint Romain
SF2
La Banque Postale Financement
La Banque Postale Leasing & Factoring
EasyBourse
FCT Elise 2012
BPE
La Banque Postale Collectivités Locales
La Banque Postale Home Loan SFH
SOFIAP
Ma French Bank

Insurance

CNP Assurances Group
La Banque Postale Prévoyance
La Banque Postale Conseil en Assurances
Sopassure
La Banque Postale Assurances IARD
La Banque Postale Assurance Santé

Asset management

La Banque Postale Asset Management
Tocqueville Finance Holding
Tocqueville Finance SA
AEW

Principality of Monaco

Retail Banking

La Banque Postale: Post Office

Netherlands⁽¹⁾

LBP Dutch Mortgage Portfolio 1 BV
LBP Dutch Mortgage Portfolio 2 BV

Data presented by country at 31 December 2019

Consolidated contribution, by State or Territory

(in € thousands)	NBI and revenue ⁽¹⁾	FTE employees ⁽²⁾	Profit before tax ⁽³⁾	Amount of income tax for which the business locations are liable	Public grants received ⁽⁴⁾
France	5,644,210	4,932	1,056,908	(291,437)	-
Principality of Monaco	2,899		1,751	(543)	-
GROUP TOTAL	5,647,109	4,932	1,058,659	(291,980)	-

(1) The amount of net banking income and revenue corresponds to the contribution of the business locations in France and the Post Office in the Principality of Monaco to La Banque Postale's consolidated financial statements.

(2) Full-time-equivalent employees include all employees with a local employment contract as well as employees who have been physically seconded.

(3) This is the profit for the period before corporate income tax and other taxes.

(4) These are public grants actually paid and excluding tax credits.

(1) In 2017 and 2018, La Banque Postale acquired two home loan portfolios in the Netherlands, as part of the strategy to diversify the French home loan portfolio.

3.6 POST BALANCE SHEET EVENTS

La Banque Postale Group has not identified any events after the balance sheet date which are likely to have a material impact on its financial statements for the year ended 31 December 2019 or on its financial performance.

3.7 2020 OUTLOOK

In a difficult and uncertain environment shaped by very low interest rates, La Banque Postale intends to leverage its integrated and diversified business model to drive revenue growth.

In 2020, La Banque Postale will continue to grow all of its businesses:

- ▶ Retail Banking, through a strategy designed to win new personal banking, wealth management and business customers;
- ▶ Insurance, with the operational implementation of the integration of CNP Assurances;
- ▶ Asset Management, through an increased focus on conviction-based management and the creation of a joint venture combining the expertise of LBPAM and the BPCE Group to manage insurance assets.

La Banque Postale's sales momentum, combined with its operational efficiency and cost containment programmes, will help to drive growth in attributable net profit and ROE, while keeping risk management at the top of the agenda.

3.8 INFORMATION ON THE STATUTORY AUDITORS

Statutory auditors of La Banque Postale	First appointed	Current appointment expires
PricewaterhouseCoopers Audit SAS (member of Compagnie régionale des commissaires aux comptes de Versailles) 63, rue de Villiers 92200 Neuilly-sur-Seine Represented by Jacques Lévi as from the 2016 financial year Alternate auditor: Jean-Baptiste Deschryver	28 April 2004	General Shareholders' Meeting to be called in 2022 to approve the financial statements for the financial year ending 31 December 2021
KPMG S.A. (member of Compagnie régionale des commissaires aux comptes de Versailles) Tour Egho 2, avenue Gambetta CS60055 92066 Paris La Défense Represented by Marie-Christine Jolys as from the 2015 financial year Alternate auditor: KPMG S.A.	27 May 2010	General Shareholders' Meeting to be called in 2022 to approve the financial statements for the financial year ending 31 December 2021

Furthermore, as regards the audit of the previous financial statements:

2018 financial year

PricewaterhouseCoopers Audit SAS

63, rue de Villiers
92200 Neuilly-sur-Seine
Represented by Jacques Lévi

KPMG S.A.

2, avenue Gambetta
CS60055
92066 Paris – La Défense
Represented by Marie-Christine Jolys

2017 financial year

PricewaterhouseCoopers Audit SAS

63, rue de Villiers
92200 Neuilly-sur-Seine
Represented by Jacques Lévi

KPMG S.A.

2, avenue Gambetta
CS60055
92066 Paris – La Défense
Represented by Marie-Christine Jolys

Non-Audit Services provided by the statutory auditors

The Non-Audit Services provided by the statutory auditors to La Banque Postale and its controlled entities were as follows in 2019:

- ▶ PricewaterhouseCoopers Audit SAS
- Comfort letter regarding the updating of the Base Prospectus for La Banque Postale SA's debt issuance programme (March 2019) and three comfort letters concerning the issues carried out in April 2019, July 2019 and November 2019
- Comfort letter regarding the updating of the Base Prospectus for La Banque Postale Home Loan SFH's debt issuance programme
- ▶ KPMG S.A.
- Comfort letter regarding the updating of the Base Prospectus for La Banque Postale SA's debt issuance programme (March 2019) and three comfort letters concerning the issues carried out in April 2019, July 2019 and November 2019
- Report by an independent third-party on La Banque Postale SA's Extra-Financial Performance Declaration
- Limited review of the SFCR reports of the Insurance Division's entities
- Insurance training
- Comfort letter regarding the updating of the Base Prospectus for La Banque Postale Home Loan SFH's debt issuance programme
- Green bond certification for La Banque Postale SA.

3.9 ALTERNATIVE PERFORMANCE INDICATORS – ARTICLE 223-1 OF THE AMF GENERAL REGULATION

API	Definition/calculation method
NBI excluding the home savings plan effect	Net Banking Income restated for increases or decreases in provisions for commitments related to home loan savings accounts and plans (PEL and CEL)
Operating expenses	Sum of general operating expenses, net depreciation and amortisation, and impairment of property, plant and equipment and intangible assets
Cost of risk (in basis points)	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



LA BANQUE POSTALE GROUP BUSINESS ACTIVITY AND RESULTS

BANQUE POSTALE GROUP – PILLAR III INFORMATION

4

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4.1 RISK FACTORS

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 (CRR);
- ▶ 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;
- ▶ Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 with regard to the disclosure of encumbered and unencumbered assets applicable since January 2018;
- ▶ Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (CRD 4).
- ▶ Regulation (EU) 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).

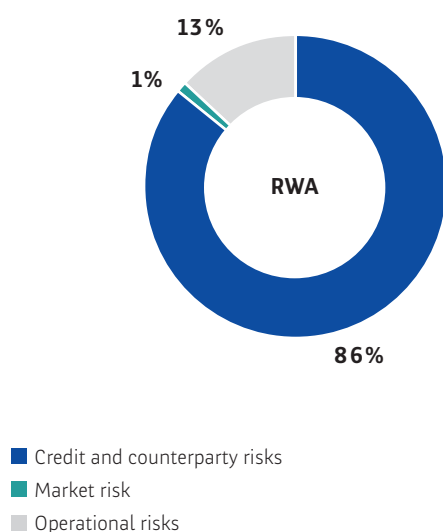
4.1.1 Key figures

4.1.1.1 Equity

Capital (in € million)	12.2019	12.2018
Common Equity Tier 1 (CET1)	9,400	8,155
Tier 1 (T1)	10,150	8,955
Total Capital	12,441	11,320
Risk-weighted assets (in € millions)	-	-
Total RWA	76,867	69,889
Solvency ratios (%)	-	-
CET1 ratio (%)	12.2%	11.7%
T1 ratio (%)	13.2%	12.8%
Total Capital ratio (%)	16.2%	16.2%
Additional buffers	-	-
Capital conservation buffer (%)	2.500%	1.875%
Specific countercyclical buffer⁽¹⁾ (%)	0.2421%	0%
Buffer for other systemically important institutions (%)	0.2500%	0.1875%
Leverage ratio	-	-
Exposure to the leverage ratio	259,105	263,001
Leverage ratio (%)	3.9%	3.4%
Liquidity ratio	-	-
Total HQLA	30,720	24,555
Total net outflows	20,106	16,902
LCR ratio (%)	153%	145%

(1) Of which a 0.25% countercyclical buffer requirement for relevant exposures originating in France by decision of the Financial Stability Council (Haut Conseil de Stabilité Financière – HCSF) of 8 October 2018. Other countercyclical buffer rates must be considered in respect of the exposures originating in other OECD countries, leading to the calculation of a specific requirement rate for La Banque Postale. On 3 April 2019, the HCSF decided to raise the rate from 0.25% to 0.50% from 2 April 2020.

4.1.1.2 Weighted assets by type of risk at 31 December 2019



4.1.2 Principal structural risk factors

La Banque Postale is a credit institution and the parent company of a group 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 have a significant negative impact on 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 macroeconomic environment;
- risks related to the legal and regulatory framework;
- risks related to La Banque Postale’s operations;
- risks related to the strategy implemented by La Banque Postale.

This section complies with the new provisions of Article 16 of Regulation “Prospectus 3” 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

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

Due to the risk of a lasting slowdown in economic growth and a slower adjustment of inflation than anticipated in the eurozone, the European Central Bank has abandoned its plans for a normalisation, with no set time frame. In December 2019, it kept its interest rates at a very low level. These rates will remain at their current levels until the central bank notes a lasting return of inflation within the target of its mandate, *i.e.* just below 2%.

During this type of low interest-rate period, spreads could have a negative impact on the La Banque Postale’s net interest margin level.

In this environment, regulated savings accounts (Livret A, Livret de développement durable et solidaire – LDDS, Livret d’épargne Populaire – LEP) would provide remuneration rates above market rates. However, La Banque Postale, the long-term distributor of these products (with outstandings of €82.7 billion at 31 December 2019), and notably of the Livret A (€61.5 billion in outstandings as at 31 December 2019), would see its ability to decrease the cost of its customers’ deposits reduced.

In addition, an environment in which interest rates remain low for an extended period of time could result in an increase in early repayments and the refinancing of mortgages and/or of other fixed-rate loans granted to private customers such as La Banque Postale companies. Given that home loan outstandings totalled €63.8 billion at 31 December 2019 on credit outstandings of €106 billion, these items have the potential to significantly impact the revenue and profitability of La Banque Postale.

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

La Banque Postale only operates in France but it is, nevertheless exposed to trends in the financial markets and, generally, to the evolution of the economic situation in France, Europe and the rest of the world.

A deterioration in the economic and financial environment in France would have an impact on:

- ▶ the business plan, leading to lower credit production;
- ▶ the deterioration of borrower solvency, including both natural persons and legal entities.

The impacts would be all the more significant given that a substantial segment of La Banque Postale's customers are already financially vulnerable as defined by regulations (1.6 million people fit this definition out of the 3.4 million people detected by the OIB⁽¹⁾ in 2018) and could see their financial resources impacted by a deterioration of the macroeconomic environment.

In addition, a significant deterioration in macroeconomic conditions could increase the number of people excluded from traditional banking, which is the banking accessibility public service mission provided exclusively by La Banque Postale.

Should the economic environment in France, or elsewhere in Europe and the rest of the world deteriorate, La Banque Postale Group's operations could be impacted and its business activity, results and financial position could suffer a significant negative impact.

3. The global health crisis (coronavirus) and its impact on the economy and markets could have an impact on La Banque Postale's results and financial position.

At the time this document is being written, the coronavirus outbreak is still in its first stages of development. However, the initial expected or observed macroeconomic impacts are the following, a decline in global growth, a policy of lowering rates of the central banks (e.g. the Fed's rate cut at the beginning of March) and a decline in the financial markets. Each of these impacts constitutes a risk factor, the stakes of which for both the results and solvency metrics (CET1 ratio) are also described in detail. However, thanks to the transaction with CNP Assurances, effective from 4 March 2020, La Banque Postale will be in a significantly stronger solvency position to face this crisis.

Beyond the issues of the macroeconomic environment and financial markets environment, the information on the coronavirus shows that it has a greater impact on the elderly populations. The latter make up an important share of La Banque Postale's client base. However, exposures to financing for this population are limited, with the elderly being rather equipped with savings products and postal chequeing accounts. Consequently, if the outbreak were to spread in France, with the currently known mortality statistics, the direct impact on the credit risk of La Banque Postale's private individuals client base should be limited.

Lastly, in order to ensure the business continuity of its activities in the event of a spread of the virus, La Banque Postale has taken a certain number of measures, among which health measures and business continuity measures, notably the physical separation of teams carrying out a vital activity for La Banque Postale, the opening of back-up locations or teleworking.

4. Several political and geopolitical uncertainties could have negative impacts on the business activity, profitability and financial position of La Banque Postale

In France, the "Yellow vests" (Gilets jaunes) movement, which started at the end of 2018, and the social protests at the end of 2019 have impacted economic activity in several sectors. Should this environment be ongoing or take a negative turn, La Banque Postale could encounter difficulties paying company, merchant and artisan customers.

In addition, in 2018, La Banque Postale, like other credit institutions, committed to capping bank incident fees. This could have had a significant impact on the La Banque Postale's results, particularly on its Net Banking Income, which increased by 1.4%, coming in at €5,647 million at 31 December 2019, while it would have been 2.6% if the measure had not been implemented.

Moreover, other factors, such as the difficulty of the British government and the European Union to come to a trade agreement following Brexit, the intensification of trade wars, notably between the United States and China, etc., are sources of uncertainty which may have an impact on business activity and, therefore, on the demand for credit and the solvency of borrowers in Europe and, notably on customer companies of La Banque Postale.

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 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 Single Resolution Board 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, 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, which requires AT1 capital securities holders, Tier 2 capital securities holders and debt securities holders to bear the losses in the priority order of the debt. Its implementation can lead to the total or partial impairment of the debt securities or their conversion to capital securities. This involves 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 investors. At 31 December 2019, the amount of additional Tier 1 (AT1) capital was €750 million following the issue on 7 November 2019 of a 7-year callable perpetual bond. The amount of Tier 2 capital with maturity of over one year was €2,250 million, that of non-preferred senior debt with maturity of over one year was a nominal €2,000 million, that of senior preferred debt with maturity of over one year was €1,491 million.

(1) OIB: Observatoire de l'inclusion bancaire (Observatory of Banking Inclusion).

6. The legislative measures provided for by the banking package passed by the European Parliament in April 2019 could have an impact on La Banque Postale's business activity, 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 involve the leverage ratio (which notably provides, for the calculation of the ratio, a waiver by type, and no longer by authorisation, of the exposures related to centralised savings), major risks, the requirement for stable funding (Net Stable Funding Ratio – NSFR) and the minimum requirement in terms of total loss-absorbing capacity (TLAC). Most of the measures will be applicable on 28 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 application of the leverage ratio as a Pillar I requirement:** this ratio, which is covered in Regulation no. 575/2013, is part of the current CRR. It is intended to limit any excessive bank indebtedness during economic recovery periods. It therefore becomes compulsory, like 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 which manages its leverage ratio well. In addition, the calculation method for the latter will change in a way favourable to La Banque Postale in 2021 as it will be allowed to exclude 100% of centralised savings at that time.

- **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 of the present Universal Registration Document).

- **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 review of the major risks calculations:** the requirements for major risks 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.

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 the La Banque Postale and/or certain activities and, by extension the way in which the bank organises its business lines. The potentially most significant impacts for La Banque Postale are related to the implementation of the new standardised calculation method of the value exposed to derivative instrument risk (SA-CCR) and to market risk. Given the nature of La Banque Postale's market positions to date, the latter will need to be changed. As at 31 December 2019, market RWA accounted for less than 1.4% of the Group's total RWA, i.e. €1,042 million for a total RWA of €76,867 million. A doubling of the capital charge as a result of regulatory changes would have a limited impact of about 16 CET1 ratio basis points.

7. The legal risks to which La Banque Postale is exposed could have an unfavourable impact on its financial position, its results and its 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. This jurisdictional risk is enhanced 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 applicable. 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 the bank'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 it is involved in. 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.

In this respect, it should be noted that, on 21 December 2018, the ACPR Sanctions Committee issued a reprimand against La Banque Postale along with a fine of €50 million following a report on its anti-money laundering and combating the 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 the bank. This activity was terminated as of 31 December 2017. This decision was confirmed by the Council of State.

La Banque Postale could again be involved in this type of procedure and there is no guarantee that a negative decision in one or more disputes or one or more investigations won't have a significant negative impact on La Banque Postale's operating profits, regardless of the financial year in question.

As at 31 December 2019, the amount of the provision for legal risk was €23.4 million for La Banque Postale SA.

For more information see chapter 4.8.1 "Legal and fiscal risks" of the present Document.

4.1.2.3 La Banque Postale's operations risks

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

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

With NBI of €5,241 million on the Retail Banking business in 2019, i.e. 93% of the Group's NBI for the period, credit risk is one of the major risks for La Banque Postale.

Credit risk is the risk that a counterparty will not meet their commitments, notably their repayment commitments to La Banque Postale. The decree of 3 November 2014 defines credit risk by reference to Paragraph (39) of point 1 of Article 4 of Regulation (EU) no. 575/2013 (CRR). Counterparty risk is the risk that the co-contractor to a transaction will default before the final settlement of cash flows. It is generated by all of the derivative products held in La Banque Postale's banking and trading portfolios and by securities loan and borrowing transactions. The counterparty can be, among others, a bank, a financial institution, an industrial or commercial enterprise, a government or a public authority.

As a credit institution, La Banque Postale is exposed to the risk of insolvency of its customers and of its counterparties. La Banque Postale could suffer losses if a counterparty were unable to meet its obligations. This could expose the bank to a replacement cost for its market transactions (derivatives) or securities transactions (loan/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. However, La Banque Postale's cost of risk has been low for all of its business lines for several financial years (€178 million in 2019).

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

La Banque Postale's risk level is currently very low given the height of the economic cycle and the level of interest rates which have considerably improved customer solvency. Nevertheless, any quick deterioration of economic conditions could have a significant impact on the occurrence of this risk and on the financial position of La Banque Postale. As at 31 December 2019, La Banque Postale was exposed to credit risk in the amount of €85 billion for retail customers, €55 billion for governments (sovereign category), €27 billion for banks, primarily through short-term and collateralised transactions, €24 billion for the local public sector (in particular local authorities and hospitals) and €26.5 billion for companies.

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 market conditions. The volatility of financial markets could have a negative impact on La Banque Postale's market activities, notably 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 results, equity and solvency ratio of La Banque Postale.

La Banque Postale uses a VaR (Value at Risk) model to quantify its potential exposure.

Paragraph 4.5.2.9 – Change in the main risk indicators for the trading room and threshold monitoring on the Fair Value through Profit or Loss scope in 2019 of the present Registration Document presents the change in the VaR for La Banque Postale in 2019.

As at 31 December 2019, the risk-weighted assets (RWA) related to market risk reached €1 billion, i.e. 1.4% of total RWA. La Banque Postale's market risk, calculated using the standardised method, is therefore low. In addition, the size of La Banque Postale's investment portfolio or trading book (primarily bond management) was a nominal €7.5 billion at 31 December 2019.

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 decree 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 and non-collateralised 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 2019, La Banque Postale Home Loan SFH issues totalled €4,170 million. If La Banque Postale were unable to access the secured and/or unsecured debt market at 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 had a credit/deposit ratio of 90% at end-December 2019. The need to turn to the interbank market is, therefore, limited for La Banque Postale.

As at 31 December 2019, La Banque Postale's LCR was 152.8%, its leverage ratio was 3.9% (calculated excluding 50% of regulated savings, in accordance with regulations) and its NSFR was above 100%.

11. La Banque Postale must maintain high credit ratings to ensure that it doesn't 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 and Poor's (the two rating agencies that currently assess 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. This risk appears to be limited, however, in the short and medium terms for La Banque Postale, whose A rating with a positive outlook was confirmed by Standard and Poor's on 18 December 2019. On 10 October 2019, the rating agency FitchRatings had confirmed its A- rating for Banque Postale with a stable outlook.

12. La Banque Postale's insurance business risks

As a parent company and head of a conglomerate, La Banque Postale is exposed to insurance business risks in France. La Banque Postale's Insurance business accounted for 4.4% of the Group's NBI at 31 December 2019.

Life insurance: a deterioration in the market situation and, notably, an excessive change in interest rates (upward or downward) could have a significant impact on La Banque Postale's life insurance business and on its results. A strong increase in rates could make life insurance products invested in funds in euros less attractive than other savings options and facilitate significant arbitrage by customers. On the other hand, a brutal decrease in interest rates could limit La Banque Postale's ability to provide its customers with an attractive return.

As at 30 June 2019, the share of contracts in euros in La Banque Postale's average life insurance outstandings reached 87.7%.

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 the Group whose materiality would be contained given the weight of non-life insurance in the Group's results. In 2019, the momentum of La Banque Postale's non-life insurance business continued to be positive, with, notably, a 4.2% increase in property and casualty insurance policies (over 1,792,000 policies) and 4.4% growth in health insurance policies (over 200,000 policies).

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

In accordance with the CRR regulation and the decree of 3 November 2014 on, notably, the internal control of banks, 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 having a low probability of occurrence but a high impact, risks of internal and external fraud, legal risks, risks of non-compliance (including damage to reputation), and risks linked to the models, but excludes strategic risks".

In a context of increasing numbers of electronic transactions, growing interconnection between massively digitised systems which provide new areas for attack, the risk of cybercrime has also been identified and is an important point of focus for the bank.

Any interruption or failure of La Banque Postale's information systems could result in significant losses of customer information and, therefore, create a reputational risk for La Banque Postale leading to financial losses.

Poor management of outsourcing could result in a concentration risk and loss of control over the business activities in question. The use of unsuitable methods to market and sell products and services could also damage La Banque Postale's reputation and its competitiveness.

As at 31 December 2019, weighted assets for operational risks were contained and only amounted to €9.5 billion, i.e. 12.5% of La Banque Postale's total RWA.

La Banque Postale is particularly exposed to risks related to the security and reliability of its information systems.

La Banque Postale Group's business activities are closely linked to the operation of its information systems and those of third parties. Any breakdown, interruption or failure in the security of these systems could result in breakdowns or interruptions of the customer file management, general accounting, deposits, loan servicing and/or processing systems. La Banque Postale would then be unable to satisfactorily meet its legal and regulatory obligations or its customers' needs despite the use of backup systems and the emergency plans deployed.

In addition, La Banque Postale is exposed to cyber risks, defined as the risk resulting from a malicious and/or fraudulent act, committed virtually for the purpose of manipulating information, processes and users for the purpose of causing significant prejudice to La Banque Postale companies, employees, partners and customers. This risk has become a major preoccupation of La Banque Postale Group's governance bodies. Given that the techniques used to carry out internal and external fraud are constantly changing and multifaceted, La Banque Postale continuously implements and strengthens its risk management system, in particular with respect to prevention, protection, supervision and assurance.

The occurrence of these risks could have a significant negative impact on the image of La Banque Postale with its customers, service providers and partners and on its business activities, results and financial position. It could also increase the potential for litigation.

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

La Banque Postale has a governance framework which enables it to ensure compliance with its external obligations and its internal framework. Based on a risk management system consisting of three lines of defence (operational business lines, the Group Risk Department and Compliance Department, and the Internal Audit Department) and constituting the overall internal control framework, it must ensure that outsourced activities are included in the system, in accordance with the applicable regulations (the above-mentioned decree of 3 November 2014 and the European Banking Authority's February 2019 guidelines on outsourcing). The supervisor 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 (ILAAP)) whose requirement level has increased.

La Banque Postale submits a recovery and resolution plan to the ECB every year, in accordance with regulations. It describes the recovery measures to restore the solvency of the bank to the minimum level required, if necessary. In addition, La Banque Postale ensures that it is always compliant with regulatory solvency limits (taking into account the additional requirements related to buffers for systemic risk) and short-term liquidity (LCR) limits. It closely tracks changes in its LCR (152.8% as at 31 December 2019), its leverage ratio (3.9% as at 31 December 2019, ratio calculated excluding 50% of centralised savings) and its NSFR (above 100% as at 31 December 2019).

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

La Banque Postale is exposed to non-compliance risk, defined by the above-cited decree 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 ensure compliance with the rules intended to protect its customers and with the procedures it implements for this purpose, the compliance of investment services, the implementation of the system in terms of the fight against money laundering and the financing of terrorism (AML-CFT) and compliance with ethics.

Non-compliance with these rules could increase the legal risk and also damage its reputation, thereby resulting in a negative impact on the profitability and the business outlook of the Group.

For more information, see Section "7. Legal risks to which La Banque Postale is exposed which could have a negative impact on its financial position, its results and its reputation" presented previously in this document.

4.1.2.4 La Banque Postale's business risks

16. Risks related to the implementation of La Banque Postale's strategy, in particular with respect to the challenges of digitalisation

La Banque Postale's strategy is entirely consistent with its parent company's strategic plan: "La Poste 2020, Conquering the Future". It defines the directions for commercial development and cooperation between Group branches.

To meet its challenges, La Banque Postale has implemented far-reaching programmes based on a major investment and transformation plan, built on the deployment of the "Excellence 2020" operational effectiveness programme and a new banking IT foundation.

The success of this strategic plan depends on a number of assumptions and initiatives (the scope of which can vary significantly). The non-realisation of these assumptions as well as any unexpected changes impacting the environment could have a negative impact on the Group's business activities, its results and its financial position as well as on La Banque Postale's 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, including with its high-wealth clientèle, and solidify its positioning with professionals, companies and institutional players. In addition, aware of the challenges of the digital transformation of the banking sector, La Banque Postale launched Ma French Bank in July 2019. The bank is 100% online and intended to meet the new expectations and habits of customers and prospects.

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.

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

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.

For significant and strategic operations, the risk is managed by the implementation of a dedicated post-acquisition integration project led by the Executive Board, in cooperation with the general management of CNP Assurances, ensuring the sharing of orientations and the strategic alignment of all operating entities.

This type of post-acquisition integration project is preceded by an intense preparation and anticipation phase within La Banque Postale in order to ensure optimal deployment and maximum effectiveness as soon as the operation is finalised.

The implementation of the public financial unit was carried out in two concomitant steps:

- ▶ in the first step, *via* the transfer of both Caisse des dépôts and the French State's respective stakes of 1.1% and 40.9% in the capital of CNP Assurances to La Poste, and then by the latter to La Banque Postale;
- ▶ in the second step, *via* the acquisition by the Caisse des dépôts from the State of a complementary holding in La Poste's capital in the amount of nearly €1 billion.

They were implemented based on the value of La Poste's equity prior to the contribution of €7 billion. On completion of the transaction, La Poste is majority held by the Caisse des dépôts (66%) and by the French government (34%). La Banque Postale will become the main shareholder of CNP Assurances (62.1%), whose multi-partner model will be reconfirmed by the project.

The operation has been effective since March 4 2020, following the required regulatory authorisations from the competent authorities.

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-mentioned risk management system.

4.2 CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

4.2.1 Fields of application

Defined by CRR Regulation 575/2013, the field of application of the prudential scope pertaining to equity requirements is different from the field of application of the accounting consolidation scope whose composition is subject to the application of IFRS standards.

In accordance with regulations, the scope defined for the exercise of supervision on a consolidated basis of the capital ratios consists of consolidation of insurance entities using the equity method, consolidated within the prudential scope and using the full-consolidation method within the accounting scope.

Asset and risk disposal transactions must be assessed in light of the type of resulting risk transfer. Therefore, securitisation vehicles are excluded from the prudential scope, in line with the regulations, to the extent that the securitisation transaction in question is deemed effective, *i.e.* it provided a significant transfer of risk. This situation does not impact La Banque Postale as it has never securitised its exposure as is meant in prudential regulations.

Description of the differences between the scopes of consolidation (entity by entity) (EU LI3)

Entity name	Accounting consolidation method	Regulatory consolidation method				Entity description
		Full consolidation	Proportional consolidation	Equity consolidation	Deducted	
LBP SA	Full consolidation	LBPSA	-	-	-	Retail Banking
SCI CRSF DOM	Full consolidation	SCI CRSF DOM	-	-	-	Retail Banking
SCI CRSF MÉTROPOLE	Full consolidation	SCI CRSF MÉTROPOLE	-	-	-	Retail Banking
SCI TERTIAIRE SAINT ROMAIN	Full consolidation	SCI TERTIAIRE SAINT ROMAIN	-	-	-	Retail Banking
SF2	Full consolidation	SF2	-	-	-	Retail Banking
LA BANQUE POSTALE FINANCEMENT	Full consolidation	LA BANQUE POSTALE FINANCEMENT	-	-	-	Retail Banking
LA BANQUE POSTALE LEASING & FACTORING	Full consolidation	LA BANQUE POSTALE LEASING & FACTORING	-	-	-	Retail Banking
EASYBOURSE	Full consolidation	EASYBOURSE	-	-	-	Retail Banking
FCT ELISE 2012	Full consolidation	FCT ELISE 2012	-	-	-	Retail Banking
BPE	Full consolidation	BPE	-	-	-	Retail Banking
LA BANQUE POSTALE COLLECTIVITÉS LOCALES	Full consolidation	LA BANQUE POSTALE COLLECTIVITÉS LOCALES	-	-	-	Retail Banking
LA BANQUE POSTALE HOME LOAN SFH	Full consolidation	LA BANQUE POSTALE HOME LOAN SFH	-	-	-	Retail Banking
SOFIAP	Full consolidation	SOFIAP	-	-	-	Retail Banking
LBP DUTCH MORTGAGE PORTFOLIO 1 B.V	Full consolidation	LBP DUTCH MORTGAGE PORTFOLIO 1 B.V	-	-	-	Retail Banking
LBP DUTCH MORTGAGE PORTFOLIO 2 B.V	Full consolidation	LBP DUTCH MORTGAGE PORTFOLIO 2 B.V	-	-	-	Retail Banking
GROUPE CNP ASSURANCES	Equity consolidation	-	-	GROUPE CNP ASSURANCES	-	Insurance
LA BANQUE POSTALE PRÉVOYANCE	Full consolidation	-	-	LA BANQUE POSTALE PRÉVOYANCE	-	Insurance
LA BANQUE POSTALE CONSEIL EN ASSURANCES	Full consolidation	LA BANQUE POSTALE CONSEIL EN ASSURANCES	-	-	-	Insurance
SOPASSURE	Proportional consolidation	-	SOPASSURE	-	-	Insurance
LA BANQUE POSTALE ASSURANCES IARD	Full consolidation	-	-	LA BANQUE POSTALE ASSURANCES IARD	-	Insurance
LA BANQUE POSTALE ASSURANCE SANTE	Full consolidation	-	-	LA BANQUE POSTALE ASSURANCE SANTE	-	Insurance
AEW Europe	Equity consolidation	-	-	AEW Europe	-	Asset management
LA BANQUE POSTALE ASSET MANAGEMENT	Full consolidation	LA BANQUE POSTALE ASSET MANAGEMENT	-	-	-	Asset management
TOCQUEVILLE FINANCE HOLDING	Full consolidation	TOCQUEVILLE FINANCE HOLDING	-	-	-	Asset management
TOCQUEVILLE FINANCE SA	Full consolidation	TOCQUEVILLE FINANCE SA	-	-	-	Asset management

Differences between the accounting and regulatory scopes of consolidation and allocation of financial statement items to regulatory risk categories (EU LI1)

	Book value of the items						
(in € millions)	Book values as declared in the published financial statements	Book values within the scope of regulatory consolidation	Subject to credit risk	Subject to the RCC	Subject to securitisation	Subject to market risk	Not subject to capital requirements or subject to capital deductions
ASSETS							
Cash, central banks	3,342	3,342	3,342	-	-	-	-
Financial assets held for trading	11,019	10,621	1,825	754	-	8,050	-
Hedging derivatives	1,693	1,693	0	1,693	-	-	-
Available-for-sale financial assets	15,683	13,450	13,456	-	-	-	-
Loans and receivables due from credit institutions	88,946	88,943	86,606	1,464	-	-	-
Loans and receivables due from customers	101,911	101,922	100,511	2,441	-	-	-
Revaluation differences on rate hedged portfolios	280	280	280	-	-	-	-
Financial assets held to maturity	30,848	30,848	30,793	-	9	-	-
Current tax assets	178	176	176	-	-	-	-
Deferred tax assets	237	237	233	-	-	-	-
Accruals and other assets	3,804	2,939	2,939	-	-	-	-
Other insurance assets and reinsurer share of underwriting provisions	-	-	-	-	-	-	-
Investment property	-	-	-	-	-	-	-
Investments in associated companies	-	-	-	-	-	-	-
Investments in associated companies	3,504	4,129	4,098	-	-	-	30
Property, plant and equipment	795	783	630	-	-	-	-
Intangible fixed assets	792	667	-	-	-	-	667
Goodwill	160	160	-	-	-	-	160
Total assets	263,192	260,190	244,888	6,353	9	8,050	858
LIABILITIES							
Central banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,439	1,439	-	-	-	-	-
Hedging derivatives	754	754	-	-	-	-	-
Liabilities due to credit institutions	24,404	24,404	-	-	-	-	-
Liabilities to customers	191,379	191,402	-	-	-	-	-
Debt securities	22,088	22,088	-	-	-	-	-
Revaluation differences on rate hedged portfolios	997	997	-	-	-	-	-
Current tax liabilities	37	21	-	-	-	-	-
Deferred tax liabilities	127	57	-	-	-	-	-
Accruals and other liabilities	4,997	4,662	-	-	-	-	-
Non-current liabilities held for sale	-	-	-	-	-	-	-
Underwriting provisions of insurance companies	2,549	-	-	-	-	-	-
Shadow	-	-	-	-	-	-	-
Provisions	372	370	-	-	-	-	-
Subordinated debt	3,126	3,126	-	-	-	-	-
Minority interests in equity	121	69	-	-	-	-	-
Equity, Group share	10,801	10,801	-	-	-	-	-
Total liabilities	263,192	260,190	-	-	-	-	-

Loans and receivables due from credit institutions include exposures with respect to the savings centralised with the Caisse des dépôts et consignations (CDC) for €67.2 billion as well as the liquidity reserves held at the ECB (€21 billion).

There are no major differences between the book amounts and the regulatory exposures. Publication of the following tables is thus not necessary:

- ▶ EU LI2: main sources of differences between regulatory exposure amounts and carrying values in financial statements;
- ▶ EU LI3: description of the differences between the scopes of consolidation (entity by entity)

4.2.2 Composition of prudential equity capital

La Banque Postale's Common Equity Tier 1 (CET1) capital includes:

Group share book equity (capital, issue premiums, reserves and annual profits) less the proposed dividend (45% of Group share of net income) and regulatory adjustments that apply:

- ▶ deductions of goodwill and intangible assets (net of related tax liabilities);
- ▶ prudential filters (fair value reserves related to gains or losses on cash flow hedges, Additional Valuation Adjustment, etc.).

Additional T1 equity includes the perpetual bond callable after 7 years issued in November 2019, and no longer includes the AT1 bond issued in 2013 to La Poste, converted in May 2019.

Tier 2 capital includes:

The subordinated securities issued in November 2010 (prudentially recognised in part only), April 2014, November 2015, and in June and October 2016 and January 2017.

Reconciliation of accounting equity and regulatory capital

(in € thousands)	31.12.2019	31.12.2018
	Phased-in Basel III	Phased-in Basel III
Shareholders' equity and retained earnings, Group share (prudential)	10,962,583	9,548,746
Dividend plan	(351,200)	(326,528)
Deduction of goodwill and other intangible fixed assets	(918,088)	(810,942)
Transitory and other adjustments applicable to CET1 equity capital	(293,546)	(256,505)
Common Equity Tier 1 (CET1)	9,399,749	8,154,771
Eligible AT1 capital instruments	750,000	800,000
Additional T1 equity	750,000	800,000
T1 equity	10,149,749	8,954,771
Capital instruments and subordinated loans	2,291,256	2,364,740
Other reintegrations	-	0
T2 equity	2,291,256	2,364,740
Overall equity capital	12,441,005	11,319,511

The increase in Common Equity Tier1 (CET1) in 2019 was due primarily to the conversion of all additional Tier1 capital instruments into Common Equity Tier 1 (CET1), the inclusion of the

full-year results – net of the planned dividends – and the increase in unrealised capital gains generated by the financial markets.

Detailed analysis of the composition of regulatory capital

	2019		2018	
	Phased-in	Temporary provisions	Phased-in	Temporary provisions
(in € thousands)				
COMMON EQUITY TIER 1 (CET1): INSTRUMENTS AND RESERVES				
Capital instruments and related share premium accounts	4,863,127	-	4,063,127	-
of which ordinary shares	4,863,127	-	4,063,127	-
Retained earnings	1,229,943	-	1,437,823	-
Accumulated other comprehensive income (and other reserves)	4,089,062	-	3,321,887	-
Funds for general banking risk	-	-	-	-
Amount of qualifying items referred to in Article 484 (3), 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 change or dividend	429,251	-	399,381	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	10,611,383	-	9,222,218	-
TIER 1 CAPITAL (CET1): REGULATORY ADJUSTMENTS				
Additional Value adjustments	(184,875)	-	(165,390)	-
Intangible assets (net of related tax liability)	(907,778)	-	(806,050)	-
Empty set in the EU	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(10,310)	-	(4,892)	-
Fair value reserves related to gains or losses on cash flow hedges	(36,044)	-	(36,015)	-
Negative amounts resulting from the calculation of expected loss amounts	-	-	-	-
Any increase in equity that results from securitised assets	-	-	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	-	-
Defined benefit pension fund assets	-	-	-	-
Direct and indirect holdings by an institution of own CET1 instruments	-	-	-	-
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	-	-	-	-
Direct, indirect and synthetic holdings by the institution 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)	-	-	-	-
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 (amount above 10% threshold and net of eligible short positions)	-	-	-	-
Empty set in the EU	-	-	-	-
Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-	-	-	-
of which qualifying holdings outside the financial sector	-	-	-	-
of which securitisation positions	-	-	-	-
of which free deliveries	-	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	-	-	-
Amount exceeding the 15% threshold	-	-	-	-
of which 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	-	-	-	-
of which deferred tax assets arising from temporary differences	-	-	-	-
Losses for the current financial year	-	-	-	-
Foreseeable tax charges relating to CET1 items	-	-	-	-
Regulatory adjustments applied to Common Equity Tier 1 capital with regard to amounts subject to a pre-CCR treatment	-	-	-	-
Regulatory adjustments related to unrealised gains and losses pursuant to Articles 467 and 468	(72,628)	-	(55,100)	-

	2019		2018	
	Phased-in	Temporary provisions	Phased-in	Temporary provisions
(in € thousands)				
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(1,211,635)	-	(1,067,447)	-
Common Equity Tier 1 (CET1)	9,399,749	-	8,154,771	-
ADDITIONAL TIER 1 (AT1) CAPITAL	-	-	-	-
Capital instruments and related share premium accounts	750,000	-	800,000	-
of which classified as equity under applicable accounting standards	-	-	-	-
of which classified as liability under applicable accounting standards	750,000	-	800,000	-
Amount of qualifying items referred to in Article 484 (3), and the related share premium accounts subject to phase out from AT1	-	-	-	-
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	-	-	-
of which instruments issued by subsidiaries subject to phase out	-	-	-	-
Additional Tier 1 (AT1) capital before regulatory adjustments	750,000	-	800,000	-
ADDITIONAL TIER 1 (AT1) CAPITAL: REGULATORY ADJUSTMENTS	-	-	-	-
Direct and indirect holdings by an institution of own AT1 instruments	-	-	-	-
Holdings of the AT1 instruments of financial sector entities where those entities have cross holdings with the institution designed to inflate artificially the own funds of the institution	-	-	-	-
Direct and indirect holdings of AT1 financial industry sector entities in which the institution does not have a significant investment (amount exceeding the 10% threshold, net of eligible short positions)	-	-	-	-
Direct and indirect holdings of AT1 financial industry sector entities in which the institution does not have a significant investment (amount exceeding the 10% threshold, net of eligible short positions)	-	-	-	-
Residual amounts deducted from Additional Tier 1 Capital with regards to the deduction of Tier 2 capital during the transition period in accordance with Article 475 of EU Regulation N° 575/2013	-	-	-	-
Qualifying T2 deductions that exceed the T2 capital of the institution	-	-	-	-
Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-	-	-
Additional Tier 1 (AT1) capital	750,000	-	800,000	-
Tier 1 capital (CET1 + AT1)	10,149,749	-	8,954,771	-
TIER 2 CAPITAL (T2): INSTRUMENTS AND RESERVES	-	-	-	-
Capital instruments and related share premium accounts	2,291,256	41,256	2,364,740	114,740
Amount of qualifying items referred to in Article 484 (5), and the related share premium accounts 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 or held by third parties	-	-	-	-
of which instruments issued by subsidiaries subject to phase out	-	-	-	-
Credit risk adjustments	-	-	-	-
Tier 2 (T2) capital before regulatory adjustments	2,291,256	41,256	2,364,740	114,740
TIER 2 (T2) CAPITAL: REGULATORY ADJUSTMENTS	-	-	-	-
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	-	-	-	-
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	-	-	-	-
Direct, indirect and synthetic holdings by the institution of T2 instruments and subordinate loans of financial sector entities where the institution does not have a significant investment (amount exceeding the 10% threshold, net of eligible short positions)	-	-	-	-
Direct, indirect and synthetic holdings by the institution of T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-	-	-	-

(in € thousands)

	2019		2018	
	Phased-in	Temporary provisions	Phased-in	Temporary provisions
Total regulatory adjustments to Tier 2 (T2) capital	-	-	-	-
Tier 2 (T2) capital	2,291,256	41,256	2,364,740	114,740
Total capital (T1 + T2)	12,441,005	41,256	11,319,511	114,740
Total risk-weighted assets	76,866,865	-	69,889,450	-
Capital ratios and buffers				
Common Equity Tier 1 (as a percentage of total risk exposure amount)	12.2%		11.7%	
Tier 1 capital (as a percentage of total risk exposure amount)	13.2%		12.8%	
Total capital (as a percentage of total risk exposure amount)	16.2%		16.2%	
Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) point a, plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer, expressed as a percentage of the amount of risk exposure)	7.492%		6.5625%	
of which capital conservation buffer requirement	2.50%		1.875%	
of which countercyclical buffer requirement	0.242%			
of which systemic risk buffer requirement				
of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.25%		0.1875%	
Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	7.7%		7.2%	
Non relevant in EU regulation	0		0	
Non relevant in EU regulation	0		0	
Non relevant in EU regulation	-		-	
Amounts below the thresholds for deduction (before risk weighting)	-	-	-	-
Direct and indirect holdings of the capital 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)	541,426	-	424,705	-
Direct and indirect holdings by the institution of the CET1 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)	128,114	-	116,925	-
Empty set in the EU	-	-	-	-
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	200,902	-	229,688	-
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	63,134,239	-	59,217,521	-
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 2013 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)	-	-	-	-

Super subordinated securities

Issuer	La Banque Postale		
ISIN	FR0010969410	FR0011855865	FR0013054913
Law governing the instrument	French law	French law	French law
REGULATORY TREATMENT			
Transitory CRR regulations	T2 equity with grandfathering	T2 equity	T2 equity
CRR rules after transition	Not eligible	T2 equity	T2 equity
Level	Consolidated	Consolidated	Consolidated
Type of instruments	Tier 2 subordinated securities (Art. 484)	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)
Amount recognised in regulatory equity (in € thousands)	750,000	750,000	750,000
Nominal instrument value (in%)	100	100	100
Issue price (in%)	99.310	99.705	99.623
Redemption price (in%)	100	100	100
Accounting category	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost
Date of initial issue	30.11.2010	23.04.2014	19.11.2015
Term	fixed-term	fixed-term	fixed-term
Initial maturity	30.11.2020	23.04.2026	19.11.2027
Buyback option subject to the prior approval of the supervisory authority	Yes	No	No
Optional date for exercising the option	Option in the case of fiscal event	-	-
Subsequent dates	-	-	-
COUPONS/DIVIDENDS			
Dividend/coupon	Fixed	Fixed	Fixed
Coupon rate	4.375%	2.75%	2.75%
Existence of a mechanism to suspend dividend/coupon payments	no	no	no
Full discretion, partial discretion or mandatory (in terms of schedule)	Mandatory	Mandatory	Mandatory
Full discretion, partial discretion or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory
Existence of a step-up mechanism or another buyback incentive	no	no	no
Cumulative or non cumulative	no	no	no
Convertible or non-convertible	yes	no	no
If convertible, conversion trigger	Maturity or regulatory disqualification	-	-
If fully or partially convertible	Always fully converted	-	-
If convertible, conversion rate	At par	-	-
If convertible, conversion mandatory or optional	Optional at the choice of the issuer	-	-
If convertible, type of instrument converted to	Other	-	-
If convertible, issuer of the instrument converted to	Holder	-	-
Characteristics in terms of capital reduction	no	-	-
Existence of non-compliant characteristics	no	no	no

Issuer	La Banque Postale			
ISIN	FR0013181898	FR0013207354	FR0013181898	FR0013461795
Law governing the instrument	French law	French law	French law	French law
REGULATORY TREATMENT				
Transitory CRR regulations	T2 equity	T2 equity	T2 equity	Additional Tier 1
CRR rules after transition	T2 equity	T2 equity	T2 equity	Additional Tier 1
Level	Consolidated	Consolidated	Consolidated	Consolidated
Type of instruments	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)	Tier 1 super subordinated securities (Art. 52)
Amount recognised in regulatory equity (in € thousands)	500,000	100,000	150,000	750,000
Nominal instrument value (in%)	100	100	100	100
Issue price (in%)	99.97	99.593	101.510	100.000
Redemption price (in%)	100	100	100	-
Accounting category	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost	Equity instruments issued:
Date of initial issue	09.06.2016	05.10.2016	16.01.2017	20.11.2019
Term	fixed-term	fixed-term	fixed-term	indefinite term
Initial maturity	09.06.2028	05.10.2028	09.06.2028	no maturity date
Buyback option subject to the prior approval of the supervisory authority	No	No	No	No
Optional date for exercising the option				
Subsequent dates				
COUPONS/DIVIDENDS				
Dividend/coupon	Fixed	Fixed	Fixed	Fixed
Coupon rate	3.00%	2.25%	3.00%	3.875%
Existence of a mechanism to suspend dividend/coupon payments	no	no	no	yes
Full discretion, partial discretion or mandatory (in terms of schedule)	Mandatory	Mandatory	Mandatory	Mandatory
Full discretion, partial discretion or mandatory (in terms of amount)	Mandatory	Mandatory	Mandatory	Full discretion
Existence of a step-up mechanism or another buyback incentive	no	no	no	No
Cumulative or non cumulative	no	no	no	No
Convertible or non-convertible	no	no	no	no
If convertible, conversion trigger				
If fully or partially convertible				
If convertible, conversion rate				
If convertible, conversion mandatory or optional				
If convertible, type of instrument converted to				
If convertible, issuer of the instrument converted to				
Characteristics in terms of capital reduction				
Existence of non-compliant characteristics	no	no	no	no

4.2.3 Summary of 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, with use of the regulatory settings to apply risk reduction techniques.

RWA increased by 10% to 31 December 2019, or €7 billion for growth in exposure of €22.1 billion (+8.3%). This strong increase in RWA can be explained by the rise in credit RWA linked to La Banque Postale's growth in the Corporate segment.

- ▶ Credit risk-weighted assets (including exposures in respect of counterparty risk) increased by €6.9 billion (+11.6%).
- ▶ Market risk-weighted assets were down by €0.89 billion (-7.9%).

Overview of risk-weighted assets (RWA) (EU OV1)

(in € millions)	RWA		Minimum capital requirements
	12.2019	12.2018	12.2019
Credit risk (excluding CCR)	64,453	57,555	5,156
of which standardised approach	64,453	57,555	5,156
of which internal ratings-based approach (RBA)	-	-	-
of which advanced internal rating-based approach (AIRB)	-	-	-
of which equities using the NI approach as part of the simple weighting method or the internal models approach (IMA)	-	-	-
RCC	1,866	1,849	149
of which using the market price method	1,672	1,662	134
of which the initial exposure method	-	-	-
of which the standardised approach	-	-	-
of which the internal models method (IMM)	-	-	-
of which amount of exposure to the risk for contributions to the default fund of a central counterparty	7	3	1
of which CVA (credit valuation adjustment)	187	185	15
Settlement risk	-	-	-
Bank portfolio securitisation exposures (after cap)	2	2	0
of which the NI approach	-	-	-
of which the NI Supervisory Formula Method (SFM)	1	-	0
of which internal ratings-based approach (IRB)	-	-	-
of which the standardised approach	2	2	0
Market risk	1,042	1,131	83
of which standardised approach	1,042	1,131	83
of which IMA	-	-	-
Large exposures	-	-	-
Operational risk	9,504	9,351	760
of which basic indicator approach	-	-	-
of which the standardised approach	9,504	9,351	760
of which advanced measurement approach	-	-	-
Amounts below the deduction thresholds (subject to a risk weighting of 250%)	292	522	23
Floor adjustment	-	-	-
TOTAL	76,867	69,889	6,149

Overview of risk-weighted assets by asset class

(in € millions)	12.2019		12.2018
	Risk-weighted assets	Capital requirements	Risk-weighted assets
Credit risk (excluding counterparty risk)	64,456	5,156	57,558
Of which the standardised approach	64,456	5,156	57,558
▶ Central governments and central banks	13	1	2
▶ Regional governments and local authorities	1,986	159	1,617
▶ Public sector entities	174	14	150
▶ Multilateral development banks	-	-	-
▶ International organisations	-	-	-
▶ Institutions	11,112	889	10,514
▶ Corporate	19,304	1,544	16,162
▶ Retail	11,011	881	10,157
▶ Secured by mortgages on immovable property	10,348	828	8,738
▶ Exposures in default	608	49	637
▶ Items associated with particularly high risk	1,863	149	1,280
▶ Covered bonds	295	24	320
▶ Receivables with institutions and corporates with a short-term credit assessment	-	-	-
▶ Undertakings for collective investment	398	32	438
▶ Equities	5,091	407	4,990
▶ Other items	2,249	180	2,550
▶ Securitisations	2	0	2
Of which the internal model-based approach	-	-	-
Counterparty risk	1,866	149	1,849
of which the standardised approach	1,672	134	1,662
of which at market price	-	-	-
of which initial risk	-	-	-
of which internal models approach	-	-	-
of which amount for contribution to the failure of a central counterparty	7	1	3
Including CVA	187	15	185
Market risk	1,042	83	1,131
Operational risk	9,504	760	9,351
TOTAL	76,867	6,149	69,889

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

Non-deducted investments in insurance companies

(in € millions)	Value
Holdings of equity instruments of a financial sector entity in which the institution holds a significant investment not deducted from capital (prior to risk weighting)	4,190
TOTAL RWA	4,190

La Banque Postale doesn't 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 constraints, 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 2013/36/EU (CRD IV) and regulation (EU) no. 575/2013 of the European Parliament and of the Council (CRR). The legislation provided for transitional application in order to enable institutions to manage the changes in a gradual way.

In terms of solvency, three levels of equity are defined:

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

In total, three levels of solvency ratio are calculated:

- ▶ the common Tier 1 capital ratio or CET1 ratio;
- ▶ the Tier 1 equity ratio or T1 ratio;
- ▶ the total capital ratio.

These ratios are calculated by comparing each category of Group capital to the total assets weighted by Group risks. They are subject to a “phased” evaluation, that is to say, they incorporate the transition measures provided by the legal texts in terms of applying the prudential filters and deductions or of recognising capital instruments issued prior to the effective date of the CRR regulation.

4.2.4.1 Prudential equity capital

Following the Supervisory Review and Evaluation Process (SREP) carried out by the ECB, the latter notified La Banque Postale of its consolidated own funds requirement (TSCR) applicable as of 1 April 2020. This capital requirement amounts to 10%, of which:

- ▶ Pillar 1 requirements (minimum CET1 of 4.5%, minimum Tier 1 of 6%, minimum total capital of 8%);
- ▶ additional own fund Pillar 2 requirements of 2% to be made up of CET1;

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, these total capital buffer requirements consist of, for La Banque Postale:

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

This requirement does not include the recommendation for additional own funds under Pillar 2 (P2G).

Based on this notification, the overall capital requirement (OCR) is 13% (10% plus 3% for the combined buffer requirements).

These requirements take account of the countercyclical buffer of 0.25% for exposures in France, applicable since 1 July 2019 and which will be raised to 0.50% from 2 April 2020, in addition to similar requirements for certain exposures originating in other countries that have decided to implement the countercyclical buffer requirement.

The countercyclical buffer specific to La Banque Postale is calculated using the weighted average of countercyclical buffers applicable in the jurisdictions in which the relevant La Banque Postale credit exposures are located. It is intended to fight against excessive growth in the credits granted. In France, the High Council for Financial Stability (HCSF) is responsible for setting it each quarter. Outside of France, the application of countercyclical buffers above 0% has already entered into effect in several jurisdictions, based on which La Banque Postale sets a specific countercyclical buffer.

Composition of CET1 capital requirements for Pillar II at 1 April 2020

	01.04.2020	30.06.2019
Pillar I requirement	4.50%	4.50%
Pillar II Requirement – P2R	2.00%	1.75%
Capital conservation buffer requirement (CCB)	2.50%	2.50%
Other systemically important institutions buffer requirement	0.25%	0.25%
Countercyclical buffer requirement (CCyB)	~0.50%	0.01%
Minimum CET1 ratio requirement	~9.75%	9.24%

The overall capital requirement amounts to 12.75%, including 1.5% for AT1 and 2% for Tier 2.

4.2.4.2 Solvency ratios

The Common Equity Tier One (CET1) solvency ratio for 2019 was up 56 basis points, primarily as a result of an increase in own funds (+€1,245 billion) and a large increase in RWA of 10%.

- ▶ The change in own funds in 2019 is presented in Section 4.2.2 Composition of prudential equity capital.
- ▶ The change in RWA in 2019 is presented in the Section 4.2.3 Summary of risk-weighted assets.

(in € millions)	31.12.2019	31.12.2018
Common Equity Tier 1 capital ratio	12.2%	11.7%
Tier 1 capital ratio	13.2%	12.8%
Solvency ratio	16.2%	16.2%

4.2.4.3 Leverage ratio

The leverage ratio compares Tier 1 capital (the numerator) to an exposure (the denominator) composed of balance sheet items and off-balance sheet items without a risk approach.

This ratio is currently calculated for information purposes and will become a regulatory threshold with the entry into force of the “CRR2”. This requirement will apply from 1 January 2021.

In September 2018, La Banque Postale sent a request to the ECB for authorisation to exclude centralised savings deposits from the calculation of leverage exposure as provided for by Regulation (EU) No. 575/2013 (the “CRR”).

Following the ECB’s agreement to the application of the exemption of CDC’s exposures for up to 50% of CDC’s regulatory outstandings,

La Banque Postale calculates, monitors and sends the ratio to the supervisor taking account of a partial exclusion of the exposure to centralised savings since the decree of June 2019.

Throughout the year, La Banque Postale remained within its limit and above the future regulatory level of 3%.

At 31 December 2019:

- ▶ leverage ratio with exclusion of 50% of the centralised savings: 3.9%;
- ▶ leverage ratio with exclusion of 100% of the centralised savings: 4.5%.

Summary comparison of accounting assets and the measurement of exposure for leverage ratio purposes

(in € millions)	31.12.2019 (with exclusion of 50% of the centralised savings)	31.12.2018 (with delegated act and application of temporary provisions)
TOTAL OF THE IFRS BALANCE SHEET ACCORDING TO PUBLISHED FINANCIAL STATEMENTS	263,137	231,619
<i>Adjustments for investments in banks, insurance companies or financial and commercial entities which are consolidated for accounting purposes but which are outside the regulatory consolidation scope</i>	(2,947)	(2,786)
<i>Adjustments for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measurement</i>	-	-
<i>Adjustments for financial derivatives</i>	1,164	911
<i>Adjustments for securities financing transactions (repurchase transactions and other types of collateralised lending)</i>	4,731	3,156
<i>Adjustments for off-balance sheet items</i>	14,911	12,658
<i>Other adjustments</i>	(21,891)	17,442
EXPOSURE TO THE LEVERAGE RATIO	259,105	263,001

Breakdown of exposures

(in € millions)	12.2019 (with exclusion of 50% of the centralised savings)	12.2018 (with delegated act and application of temporary provisions)
Balance sheet item exposure	-	-
► Balance sheet items (excluding derivatives and securities financing transactions)	225,445	240,631
► Assets deducted for the purposes of calculating Tier 1 capital	(1,139)	(1,012)
TOTAL BALANCE SHEET EXPOSURES	224,306	239,619
Derivative exposures	-	-
► Replacement cost associated with all derivatives transactions (net of the eligible cash variation margin)	2,904	1,851
► Add-on amounts for PFE (Potential Future Exposure) associated with all derivatives transactions	1,164	911
► Gross amount including collateral provided on derivatives where deducted from the balance sheet assets pursuant to the applicable accounting basis	(1,059)	(930)
► Deductions of receivable assets for the cash variation margin provided in derivatives transactions	(842)	(385)
► Adjusted effective notional amount of credit derivatives sold	-	-
► Offsetting of adjusted effective notionals and add-on deductions for credit derivatives sold	-	-
TOTAL DERIVATIVES EXPOSURES	2,167	1,447
Exposure to securities financing transactions (SFT)	-	-
► Gross SFT assets (without offsetting), after adjusting for transactions recognised as sales	12,990	6,121
► Offset amounts of cash payables and cash receivables of gross SFT assets	-	-
► Counterparty credit risk for SFT assets	4,731	3,156
► Exposure to transactions where the bank operates as an agent	-	-
TOTAL SFT EXPOSURES	17,722	9,278
Other off-balance sheet exposures	-	-
► Off-balance sheet exposures at gross notional amount	29,364	27,240
► Adjustments for conversion to credit equivalent amounts	(14,454)	(14,582)
OFF-BALANCE SHEET ITEMS	14,911	12,658
Capital and total exposure	-	-
► Tier 1 capital	10,150	8,955
► Total exposure	259,105	263,001
Leverage ratio	-	-
► Basel III leverage ratio	3.9%	3.4%

Breakdown of balance sheet exposures

(in € millions)	31.12.2019 (with exclusion of 50% of the centralised savings)	31.12.2018 (with delegated act and application of temporary provisions)
Total balance sheet exposures (except for derivatives, SFT and exempted exposures), including:	225,445	240,631
▶ Trading book exposures	6,646	7,320
Banking book exposures, including:	218,798	233,311
▶ Covered bonds	2,948	3,196
▶ Exposures treated as sovereign	88,643	116,053
▶ Exposure to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereign borrowers	6,478	5,097
▶ Institutions	8,331	8,587
▶ Exposures secured by mortgages on real estate	25,220	20,738
▶ Retail exposures	53,274	51,331
▶ Corporate	20,873	16,821
▶ Exposures in default	842	913
▶ Other exposures (particularly shares, securitisations and other non-credit obligation assets)	11,047	10,190

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

With regards to Pillar II, La Banque Postale also has a process to assess the adequacy of its internal capital (Internal Capital Adequacy Assessment Process (ICAAP)), which is built upon the following elements:

- ▶ medium-term planning of regulatory capital requirements, with a focus on the Group's growth objective and future regulatory changes. This 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 capital requirements induced by the principal risks of the Group based on La Banque Postale's internal methods.

The Financial Department is in charge of the ICAAP process, but it is also a cross-process between the Risk and Financial functions. It is updated half-yearly and reported to the Capital Management Committee for approval, then to the Audit and Risk Committee and to the Supervisory Board.

La Banque Postale responded with an action plan to the criticisms made by the ECB in the SREP letter of December 2017 on this process, notably with respect to taking into account the quantitative elements and insertion at the operational level in La Banque Postale's management. This action plan, which began implementation in 2018, is being monitored closely.

Governance

This planning process is implemented by the Financial Department with the support of the Capital Management Committee (CCM) created in 2014, which meets four to five times per year, chaired by the Chairman of the Executive Board. The Committee is responsible for:

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

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 Management

Policy (PMR). It is monitored by the Group Risk Management Committee and the Capital Management Committee.

With regards to the credit business activity financed by its retail customer resources, the risk of excessive leverage is controlled by La Banque Postale and monitored as part of the ICAAP (Internal Capital Adequacy Assessment Process) in accordance with the objectives and governance described above which includes projections for the leverage ratio as part of La Banque Postale's strategic planning for its activities 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)		31.12.2019
Size	Total assets	268,736
Importance (including substitutability/financial system infrastructure)	Value of domestic payment transactions	-
	Private sector deposits from depositors in the EU	182,384
	Private sector loans to recipients in the EU	96,520
Complexity/cross-border activity	Value of OTC derivatives (notional)	-
	Cross-jurisdictional liabilities	4,964
	Cross-jurisdictional claims	23,158
Interconnectedness	Intra financial system liabilities	35,851
	Intra financial system assets	29,257
	Debt securities outstanding	27,641

4.3 GOVERNANCE AND RISK MANAGEMENT SYSTEM

4.3.1 Organisation, governance and actors

The Executive Board sets the fundamental principles (strategic guidelines, values, appetite for risk, governance), which are approved by the Supervisory Board, and on the basis of which each business line sets its priorities and the associated risk management system under the supervision of the Group Risk Department (GRD) and Compliance Department (CD).

La Banque Postale uses the concept of lines of defence to represent its organisation in terms of risk management and good practices. The risk management system has three lines of defence that constitute the general internal control framework:

- ▶ a first line within the operational business lines responsible for applying the risk management procedures which they will have defined in advance in concert with the Group Risk Department and Compliance Department;
- ▶ a second line consisting of the Group Risk Department and Compliance Department, which ensure the existence of an appropriate, uniform framework to define and improve the risk management procedures;
- ▶ a third line *via* the Internal Audit Department in charge of giving an independent idea of the effectiveness of the risk management system in place.

The internal control system of La Banque Postale includes permanent and periodic controls. This is based on:

- ▶ the Risk Division Charter established by the Group Risk Department;
- ▶ the Compliance Charter established by the Compliance Department;
- ▶ the Periodic Control Charter of the La Banque Postale Group drawn up by the Internal Audit Department.

They lay down the principles for risk management and control that ensure that each responsible entity complies with the internal and external requirements applicable to them. Each department defines, formalises and maintains up to date its procedures and the control points required to ensure the quality of their operations:

- ▶ the responsibility of all the players, which constitutes the basis of effective management and control procedures. All employees must ensure that the work that they perform and the transactions that they handle are executed in accordance with the expected procedures and the level of quality required. They must be in a position to account for the effective management of the work that they perform and the inherent risks of that work at any time. This principle relies on close involvement of managers;
- ▶ proportionality of controls to the level of risk. Each manager shall analyse their own risk and implement an appropriate control framework in order to achieve a reasonable level of confidence that their business activities are properly managed, and that they comply with the Company's internal and external standards and regulations;
- ▶ thoroughness of the scope of the control procedures. It covers all the activities of La Banque Postale. These procedures apply to all kinds of risk, to all those employed directly by the Bank and all those acting in its name and on its behalf, and to all the entities of the La Banque Postale Group. The internal control procedures also extend to services that have been outsourced.

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

In the framework of its governance and risk management, the La Banque Postale Group has supervisory and decision-making bodies, the objective of which is to ensure, right from the highest levels of responsibility, compliance with legal and regulatory provisions as well as internal control:

- ▶ **the Supervisory Board**, six Risk Committees of the Supervisory Board (CRCS);
- ▶ **the Executive Board**:
 - the Group Risk Management Committee (CPRG) directed by the Head of Group Risk and chaired by the Group General Secretary,
 - the Internal Control Coordination and Ethics Committee (CCCID) directed by the Head of Compliance and chaired by the General Secretary,
 - the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Committee of La Banque Postale, chaired by the Chairman of the Executive Board and directed by the Head of Compliance,
 - the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) Committee of La Banque Postale, chaired by the Chairman of the Executive Board and directed by the Head of Compliance. This Committee extends the assignments of the AML/CFT Committee of La Banque Postale to the subsidiaries and ensures consistency (rules, systems, risk mapping, etc.) at the Group level,
 - the Group Capital Management Committee (CMG) directed by the Director of Balance Sheet Management and chaired by the Chairman of the Executive Board;
- ▶ **Group Risk Department**:
 - the Risk Management Rules Validation Committee (CVRGR) chaired by the Head of Group Risk; The CVRGR is a sub-committee of the CPRG and is in charge of validating the risk management rules as well as documents referring to standards and methods,
 - the Model Approval Committee (CVM) chaired by the Head of Group Risk.

Since March 2019, a summary report of the activities of the CVRGR and the CVM is submitted to the CPRG.

Other cross-division committees contributing to the governance of the Risk Division are:

- the Divisional Risk Steering Committee: like the Group Risk Management Committee, the Group Risk Department organises a steering committee at the divisions level that has precedence over the governance bodies (Audit and Risk Committees) of the division;
- the Risk and Controls Committee (by business, division and entity): meets at least half-yearly, and is chaired by the Director of the entity. Its missions are to monitor the operating risks and validate the operational risk mapping of the entity once a year;
- the New Products Committee: this Committee was revised in 2019. Its objective is to analyse the risks linked to the launch of a new product or to its significant modification.

The Risk Division Charter

The Risk Division defines the risk management framework for the Group and submits it for approval by the Executive Board and the Supervisory Board. It ensures the implementation of the framework and its effectiveness.

Among the missions and responsibilities of the Risk Division, it is in charge of, for La Banque Postale:

- ▶ defining consistent and exhaustive standards submitted for validation to the Risk Management Rules Committee. (CRGR);
- ▶ making a documentary base available, dedicated to the Group Risk Division, standards, policies, tools, methodology guidelines, instructions, analyses;
- ▶ back-testing the risk measuring systems;
- ▶ contributing to defining the first level permanent control systems for credit, financial and operational risks, which the operating divisions are responsible for implementing;
- ▶ defining the second level permanent control systems for credit, financial and operational risks;
- ▶ controlling the proper application of the operations control and risk management systems by the Group entities, as well as their efficiency.

The purpose of the Risk Division Charter is to lay out the responsibilities, rules, procedures and organisation implemented by the Group to ensure compliance with its risk appetite framework.

This Charter was updated and presented to the Executive Board in February 2019, validated by the Internal Control Coordination and Ethics Committee (CCCID) in April and approved by the Supervisory Board Risk Committee in July as part of the reorganisation of the Risk Division and the associated comitology, the main changes of which are described below.

Changes in the organisation of the Risk Division

2019 was marked by the reorganisation of the Risk Division, which defines the risk management framework for the Group, with:

- ▶ the set-up of a risk management and control system based on shared responsibility that is organised on two levels (group, divisions) and directed by the Risk Division. Thus, the divisions have their own responsibilities so that each one can form a line of defence. The risk management and control system is steered by the Risk Division. The Group Risk Department is in charge of the overall coordination of the risk management system;
- ▶ risk functions for the non-banking divisions (La Banque Postale Asset Management, Insurance Unit) and the La Poste Network;
- ▶ linking of the control functions of the La Banque Postale; divisions with the Risk Division;
- ▶ the elimination/updating of certain committees with a view to reinforcing the governance of the Risk Division (*i.e.*: creation of the Executive Board's Engagement Committee) which decides on the files exceeding total outstandings of €100 million, on unusual files and arbitrates on the files that were subject to a disagreement at the last level of the delegated schema;
- ▶ the transfer at the start of January of the PMO credit control unit of the Corporate and Institutional Risk Department within the Permanent Control Department (DCP);

4.3.2 Regulatory framework

La Banque Postale is subject to International (of which European) (i) and French (ii) "prudential" regulation applicable to credit institutions and financial conglomerates.

The activities of La Banque Postale belong to sectors that are subject to strict regulation: the banking, finance and insurance sectors. The regulatory framework for these activities has undergone a rapid evolution and has become increasing complex over the past few years.

As a parent company: credit institution, financing company, electronic money company, management company, investment company and insurance company, La Banque Postale ensures that each of its subsidiaries and regulated equity interests comply with the industry regulations applicable to them.

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

European/International and French Regulations

La Banque Postale is supervised directly by the ECB as a "significant entity" within the meaning of Regulation (EU) No.1024/2013, the "SSM Regulation", and the SSM Framework Regulation and applies its instructions and recommendations.

Note: The prudential regulations have incorporated the concept of the "systemic importance" of institutions for the economy in order to regulate the level of obligations to be met in relation to governance, the risk management and control system and capital requirements. As a result, the Group is also identified as an "other" systemically important institution.

Application of the CRD IV and the CRR

To date, La Banque Postale applies, among others, the prudential requirements defined in the CRR:

- ▶ capital instrument eligibility rules;
- ▶ capital requirement levels (including systemic risk buffers);
- ▶ capital requirement calculation rules for credit risk, counterparty risk, operational risk and market risk;
- ▶ large exposure thresholds and calculation rules;
- ▶ short-term liquidity ratio (LCR) thresholds and calculation rules;

- ▶ the production of information on the NSFR and leverage ratios for regulators for the calibration of future indicators and associated thresholds;
- ▶ reports to the competent authorities and the publication of information for the markets.

On 7 June 2019, the “Banking Package” was published in the Official Journal of the EU.

This standards package consists of two regulations and two directives (CRR II, CRD V, BRRD II, and MRU II) which complete and reinforce existing regulations and ensures the conformity of prudential banking requirements with the prudential standards of the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB). La Banque Postale also applies the instructions, notices and recommendations of the ACPR and the AMF applicable to it.

Concerning the CRR II, new requirements have been introduced. Some of these concern:

- ▶ the leverage ratio;
- ▶ the Net Stable Funding Ratio (NSFR);
- ▶ the new framework for the treatment of market risk;
- ▶ new rules for calculating capital requirements for counterparty credit risk;
- ▶ the reduction in capital requirements for investments in infrastructure;
- ▶ the incorporation of environmental, social and governance (ESG) aspects;
- ▶ the adoption of proportionality rules;
- ▶ as well as the modification of some existing rules, such as those relative to Pillar 2 (mandatory requirements and prudential expectations), the interest rate risk (change in the threshold and shock scenarios), exposures to SMEs, non-performing loans, money laundering, etc.

Regarding the management of banking crises, the subordination rules applicable to MREL instruments were toughened, with the creation of the possibility to impose a moratorium on bank commitments (including deposits) of a maximum period of two years.

La Banque Postale started the works to incorporate these changes in order to be compliant at the date of application of the measures, most of which in 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.

Other regulatory changes had an impact, such as those relative to benchmarks (the Benchmark Regulation) which led to the replacement of EONIA by €STR, as well as the work on the IBORs.

Application of the Decree of 3 November 2014 on Internal Control

The internal control system implemented by La Banque Postale is governed by the Decree of 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.

It is the responsibility of the supervisory body, as provided by the governance guidelines of the European Banking Authority (EBA), to review La Banque Postale’s governance system and evaluate its efficiency, and to approve and regularly review the strategies governing the taking, management, monitoring and reduction of identified and potential risks. The decree on internal control specifies this role in the definition of the supervision guidelines and policy, approval of the overall limits (in particular liquidity), in establishing a strategy for business continuity and remuneration policy.

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

4.3.3 Group Risk Appetite Statement

Risk appetite

The Risk Appetite Statement (RAS) is defined by the level and types of risks that the Group is willing to accept to achieve its strategic objectives, while taking into account its ability to manage the risks of its business model.

The goal of this Risk Appetite Statement is to formalise at the 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 the Group’s risk tolerance, *i.e.*, the maximum risk level it is willing to take on.

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 Risk Appetite Dashboard (RAD) make up the first level of limits for the Group.

These limits are broken down and rounded out at the operational level by limits set and monitored by the Executive Board and described in the Risk Control Policy (second level) and the Risk Management Rules (third level) 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 Group entities and employees.

The RAS and the RAD were validated by the Executive Board and approved by the Supervisory Board via its Risk Committee in December 2018. They were revised in June 2019 the conversion of €800 million in AT1s into CET1.

Major changes in the Group's risk appetite system

In 2019 the Group Risk Department continued its work to ensure the "vertical" consistency of the entire risk control system based on:

- ▶ **a Risk Appetite Statement (RAS) and the associated Risk Appetite Dashboard (RAD)** which were subject to changes consistent with the budget exercise:

Among the major risk appetite changes in the 2019 financial year, the following should be noted

- the limit set on the amount of credit risk-weighted assets (RWA). This limit is detailed in the Risk Management Policy by major division of La Banque Postale,
- the extension of the risk appetite exercise to the banking and insurance subsidiaries (in accordance with the road map approved in February 2018 by the Supervisory Board) in line with the group's works. This extension of the risk appetite framework also gave rise to the implementation of an alert mechanism among the subsidiaries, with the Risk Department and group executive body,
- the conversion of the €800 million into CET1 in June 2019 which led to a 100 bp rise in the CET1 ratio. This increase resulted in the rise in the threshold and limits applicable to the CET1 ratio of 25 bp. The adjustments to the RAS were validated by the Executive Board and approved by the Supervisory Board, *via* its Risk Committee (increase in the RWA in terms of credit risk, sector limits, etc.);
- ▶ **a Group Risk Management Policy (RMP)** that was approved by the Executive Board in February 2019, to ensure the deployment of the 2019 RAS for which the changes concerned:
 - an update of the limits broken down by business, segment or product for consistency with the RAS limits,
 - the incorporation of the limits broken down by division, for the indicators used in the risk appetite of said divisions,
 - the introduction of new indicators deploying, among others, the new RAS indicators (e.g. breakdown of RWA by business line and change in Risk Management Policy (sector limits, individual and local public sector limits);

- ▶ in addition to the RMP, an RMP Dashboard, set up in March 2019, enables monthly monitoring of compliance with the RMP levels in a consolidated manner on the Group Risk Management Committee.

At end-2019 the limits system was revised, with the revision of the DEDT RWA limits. For the first time, in the 2020 budget framework note, RWA by business line were introduced;

- ▶ **Risk Management Rules** validated by the Head of Group Risk who allows the RMP to be made operational: 15 operational limits were temporarily exceeded on the corporate and institutional credit risk and 7 operational limits were exceeded in terms of market risk. These overruns were all corrected.

In 2019, the risk profile remained within the boundaries authorised by La Banque Postale.

The Risk Appetite Framework

The Risk Appetite Framework (RAF) must be understood to be all documentation used to draw up the Risk Appetite Statement, ensuring the operational implementation and monitoring, both at the Group level and at the subsidiaries.

The risk appetite framework consists of all policies, standards, methodologies, procedures, controls and systems that enable the risk appetite to be defined, communicated and monitored.

This framework, created by the Group Risk Department, is shared with the business lines in charge of development, the Financial Department (balance sheet management) and the Compliance Department. This proposal is submitted to the Executive Board and the Supervisory Board in charge of defining the Group's risk appetite and associated limits. This framework and rules of operation, the indicators and associated limits are reviewed and validated at least once a year. In the event of significant changes, such as acquisitions or the launch of new activities, the risk appetite may be revised to take into account changes arising outside the annual review cycle.

The risk appetite framework consists of all policies, standards, methodologies, procedures, controls and systems that enable the risk appetite to be defined, communicated and monitored.

4

4.3.4 Risk monitoring, measurement and control systems

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

The identification of risks involves determining risk factors, *i.e.* explanations of sources of potential or known loss that the Group might incur (insolvency of borrowers, fraudulent behaviour, volatility of market prices, macro-economic deterioration, changes to the legal and regulatory framework, etc.). This identification is based on the creation of risk maps according to different types of risk (credit and counterparty risk, securitisation risk, concentration risk, market risk including basis risks, operational risk including model-related risks, liquidity risk, excessive leverage risk, systematic risk, etc.). This mapping also provides a consolidated vision of internal and external risk factors that the Group is facing or might face.

Risk measurement involves the preparation of methods to measure the different types of risk that the 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) within its Risk Division.

Monitoring consists of ensuring the implementation of the risk control framework and assessing its effectiveness, as well as measuring the change in the Group's risk profile compared to the level of risk appetite expressed. It consists of 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:** providing an overview of the Group's risk exposure including a consolidated vision;
- **forward-looking:** incorporating events which, if they occurred, could have consequences for business activities and the risks faced.

4.3.4.1 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 Group entities and business activities, particularly those in relation to prudential regulation, are defined by the Group Risk Department and validated by the Risk Management Rules Validation Committee (CVRGR). The Group Risk Department is responsible for their dissemination and ensures their correct operational implementation.

Models

For its management needs and appropriate risk control, La Banque Postale Group employs a number of models based, in particular, on internal data. As these tools are used for or assist with management decision-making, a dedicated system is in place to ensure that risk related to errors during their design, implementation or use is controlled.

Prudential production steering and control system of the Group Risk Department

In order to provide information to the different bodies responsible for managing and monitoring the Group and to enable them to track its risk profile, compliance with risk appetite and with prudential "risks" reporting obligations to the competent authorities (COREP, Large Exposures, International Liabilities, LCR, NSFR, ALMM, STE), the Group Risk Department brings together the resources and tools for creating, analysing, preparing and disseminating risk monitoring reports, particularly in the area of global and operational limits for the Supervisory Board's Risk Committee, the Group Risk Management Committee and all committees in charge of risk monitoring by nature or by business.

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

The prudential production steering and control system of the Group Risk Department set up at end 2018 has contributed to improving compliance with regulatory requirements with regard to the quality of regulatory reporting.

4.3.4.2 Forward-looking systems

Regulatory monitoring

Generally speaking, the 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.

In terms of the stability of the financial sector, the 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, the 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

Within La Banque Postale, stress tests are defined as a recurring process that makes it possible to analyse the Group's ability to resist a severe but plausible deterioration in the economic environment in which it operates.

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 contribute to defining and evaluating over time:

- the risk-taking strategy and policy through stress tests, the capital adequacy in the event of a deterioration in the macro-economic context (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 La Poste Group.

The purpose of the stress test system is to cover two major categories of work:

- macro/global stress. At this stage, the tests principally 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 recent work, notably the EBA stress tests (2016, 2018, 2020);
- specific and additional stress tests appropriate to each business activity/subsidiary (notably, insurance/asset management/consumer loans) or by type of risk (credit/market/operational);

The stress test system benefits from a governance arrangement which enables its results to play an active role in La Banque Postale's monitoring and risk management system. Thus, ultimately:

- 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 Group Risk Management Committee 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/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 works.

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 La Poste Group.

4.3.4.3 Credit risk systems

The retail credit risk management and corporate credit risk management 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;
- ▶ handling rules for inherent risk;
- ▶ declassification and provisioning rules;
- ▶ collection rules;

These two departments have regional teams.

The description of the counterparty risk management system is provided in Section 4.4 Credit and counterparty risk of this document.

4.3.4.4 Financial risk system

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 Bank's results or balance sheet. They include, the pricing risk, interest rate risk, credit spread risk, the equity risk, the currency risk, the volatility risk, the inflation risk, and the basis risk;
- ▶ balance sheet risk, which reflects the impact of financial risks on the scope of the bank portfolio. They cover the 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 NBI of current and previous years, or the 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 the 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 the Section 4.5 Financial risks of this document.

4.3.4.5 Operational risk system

The Group Risk Department is responsible, with respect to the Executive Board, for the procedures for managing and monitoring La Banque Postale Group's operating risks. The procedures for managing the operational risks are part of the Group's risk management framework updated on 27 April 2016. As such, the Operational Risk Department, under the responsibility of the Group Risk Department, reports to the Group Risk Management Committee for the creation and implementation of procedures for managing and monitoring operational risks.

As part of monitoring any type of risks associated with operations (volume V of the decree of 3 November 2014), the main missions of the Operational Risk Department are:

- ▶ to establish the framework: establish operational risk 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 function);
- ▶ monitoring: identify the major risks of La Banque Postale Group, monitor and report on the effectiveness of the systems in place to manage those risks;
- ▶ to provide support: help the actors of the division with the implementation and supervision of the system within the entities of La Banque Postale, contribute to building their professionalism;
- ▶ to anticipate future threats: identify and model low frequency high impact scenarios, identify weak signals;
- ▶ ensure proper compliance, within the La Banque Postale Group, with the rules, standards and methods defined in terms of the management of operational risks.

The organisational framework of the operational risk set up within the Group is based on the principles defined in the Risk Management Policy of the Group Risk Division Charter.

The organisation of the operational risk management is structured around the following actors:

- ▶ internal actors of the Group Risk Department:
 - Group Risk Manager of the Operational Risk Department, ISS and BCP/SPP,
 - the Risk Managers, ISS correspondents and Business Continuity Plan (BCP) correspondents dedicated to risk management activities within the internal entities (Retail Banking Department, Companies and Territories Department, Corporate and investment bank, Finance Department, Banking Network IT Systems Department, Payments Department, Operations Department, Human Resources Department, Digital Department) and the subsidiaries (La Banque Postale Financement, SOFIAP, BPE, La Banque Postale Leasing & Factoring, Ma French Bank, KissKissBankBank, Easybourse, La Banque Postale Immobilier Conseil, Transactis, Ezyness);
- ▶ actors external to the Group Risk Department, Heads of the non-banking divisions (La Banque Postale Asset Management, Insurance Unit) and the Head of Operational Risk Management of the La Poste Network;
- ▶ 165.5 FTE made up this organisation et end-December 2019.

The operational risk management procedures rely upon the principal of the empowerment of the businesses in the identification, measurement, hedging and monitoring of their risks.

The management framework for operational risk is set by the Operational Risk Department 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 unit.

With respect to the risk of non-compliance, the definition and implementation of risk management systems is the responsibility of the Compliance Department.

The Operational Risk Department is responsible for ensuring that the risks are included in a map which is updated annually at least and are classified based on a dual probability/impact axis in order to determine their criticality (low, moderate, major or critical). The Risk Committee of the Supervisory Board approves the impact measurement thresholds and the frequency of critical and major risks for La Banque Postale Group.

The description of the operational risk management system is provided in Section 4.6 Operational risks of this document.

4.3.4.6 Non-compliance risk system

The procedure for managing the risk of non-compliance, like that for operational risks, relies upon the principal of giving the businesses the responsibility for the identification, measurement, hedging and monitoring of their risks.

In terms of controlling the non-compliance risk (excluding AML/CFT), La Banque Postale has set up a group system to take account of its subsidiaries.

The system is based on an organisation defined in the Compliance Charter of the La Banque Postale Group around a division of correspondents within the different subsidiaries.

This division, steered and run by the Compliance Department, and the Customer Protection and Ethics Department, carries out the main non-compliance risk management tasks *via*:

- ▶ the monitoring of the sales and professional documentation;
- ▶ the governance of products, notably with the review of new products and significant transformations, in accordance with the decree of 3 November;
- ▶ the identification and monitoring of the non-compliance risks of the entity;
- ▶ the analysis of their complaints;
- ▶ their "Customer protection" questionnaire.

This system also includes the **ethics**, and **anti-corruption** themes and, for the subsidiaries concerned, the **compliance of investment services**. The Compliance Department also steers all of the **anti-money laundering/combating the financing of terrorism measures**.

Beyond these formal review, the correspondents are regularly invited by the Customer Protection and Ethics Department to coordination meetings, to ensure the sharing and flow of information, and annually to a compliance seminar.

The description of the risk management system is provided in Section 4.8 Other risks – 4.8.2 Non-compliance risk and permanent control of this document.

4.3.4.7 Risk control system

Since January 2018 the Permanent Control Department reports to the Group Risk Department

It is in charge of carrying out the second level controls of operational risks including the risks of non-compliance across the entire scope of the Group.

It is also in charge of the second level controls of the centralised functions of the Group Risk Department, and to this end:

- ▶ it ensures that the controls are performed periodically by the entities in accordance with their defined control plan and provides a summary to the Head of Group Risks;
- ▶ identifies and validates with the GRD the sensitive processes subject to a second-level control, independently of the operational teams;
- ▶ follows the action plans implemented to hedge risks identified by the internal and external control bodies.

It also contributes to first level controls, particularly through the transfer of risk and control indicators, in addition to level 1 reporting tools defined in close collaboration with the other divisions of the Group Risk Department.

To fulfil its mission of steering the second level control and ensure its contribution to the first level controls, the Permanent Control Department:

- ▶ for the control of the post offices and La Banque Postale Business Centres, supplies, alongside the banking controllers and their managers, the tools to enable them to carry out their control duties: control plan, control questionnaires and tools for the consolidation of combined results, according to the corresponding level of responsibility of managers;
- ▶ is in charge of the administration and maintenance of La Banque Postale's control tool (COPIN) for the first and second level controls;
- ▶ performs the targeting and remote controls *via* indicators and provides the business lines with first level control indicators in collaboration with the GRD;
- ▶ communicates to the subsidiaries and head office divisions the recitals with respect to the organisation and methods to be implemented in order to harmonise the permanent control tools.

In 2019, the control functions of the business line risk divisions of the Group Risk Department reported to the Permanent Control Department.

The Head of Permanent Control has full and complete competence with regard to the functional and hierarchical supervision of the unit. These responsibilities specifically involve managing careers in a manner consistent with the requirements of each organisation. These responsibilities specifically 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 units:

- ▶ since the end of 2016, one Deputy Head is in charge of the hierarchical management of the Banking Controllers function, through the heads of Territorial Control. As such, this person is the point of contact for banking controllers within the distribution networks and supervises the Banking Controller function across the Network;
- ▶ a Deputy Head of Permanent Control is in charge of the "Tools" and the "Data Use" units, of permanent control at head office (for the départements which don't have dedicated Risk and Control teams), and of coordination with the subsidiaries.

Lastly, the "Design, Steering and Reporting" unit of the Permanent Control Department is responsible for the design of effective, standardised control methodologies within all of the Départements and Subsidiaries.

This is a functional steering role of all the permanent control functions of the La Banque Postale Group:

- ▶ The Financial Centre Controllers (*via* the Department of Operational Risks of the network and the Operations Department, the head of which reports to Deputy Head of Group Risks);
- ▶ Controllers of the entities: Banking Network IT Systems Department, Corporate and Regional Development Department, Corporate and investment bank, Finance Department, Payments Department, Retail Banking Department;
- ▶ Controllers of the subsidiaries.

The supervisors of the controllers of the entities and subsidiaries report to the Deputy Head of Group Risks.

Through this permanent control system, the Bank ensures that controls are standardised across all Group activities, which allows it to develop a control plan incorporating all control programmes in a single document: Network, Financial Centres, IT, Investment Services, Head Office, and Subsidiaries.

4.4 CREDIT AND COUNTERPARTY RISK

4.4.1 Organisation of credit and counterparty risk management

The Group Risk Department reports to the Group Risk Management Committee on the drafting and implementation of measures for monitoring and managing credit risks relating to retail and legal entities in accordance with the decree of 3 November 2014.

It defines the monthly credit risk monitoring indicators approved by the Group Risk Management Committee.

The Group Risk Department hedges 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 Council relating to the prudential requirements applicable to credit institutions and investment firms (CRR of 26 June 2013), in particular Articles 387 to 403 and 493.

Organisation and management of credit risk

Risk appetite and the Group Risk Management Policy (GRMP) and the Risk Division Charter are implemented *via* operational rules for

product risk management by activity/clientèle or business line counterparty. The risk management rules by type of product and client take changes at La Banque Postale into consideration. They are approved by the Risk Management Rules Committee.

The development of the customer base and of products goes hand in hand with the transformation of the sales network. La Banque Postale continues to expand credit granting delegations to the sales teams in accordance with Article 112 of the decree of 3 November. The principle entails that commitment decisions be taken by the bank's commercial line with a review by the risk function when the risk level or financing amount involved requires. The Risk Unit was completely deployed regionally, and has regionalised dashboards to monitor and pilot its risk by staying close to the field. These dashboards are also used at the centralised level and contribute to the fluidity of exchanges between the centralised functions and the regional functions of the Risk Unit.

4.4.2 Quantitative credit risk information

4.4.2.1 Retail customer credit risk

In terms of financing to individuals, the activities conducted by La Banque Postale Group that give rise to a credit risk include:

- ▶ home loans to individuals and to high-net-worth Limited Property Investment Partnerships (SCIs) (La Banque Postale and its subsidiaries BPE and SOFIAP);
- ▶ overdrafts and means of payment granted to individuals (La Banque Postale and its subsidiary BPE);
- ▶ consumer credit (La Banque Postale Financement, BPE);
- ▶ the acquisition of loan portfolios in France and other euro zone countries ("whole loan transactions").

The retail customer credit business activity is highly concentrated on France (approximately 97% of outstandings).

Risk management

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 Financement, BPE and SOFIAP.

It develops the rules for granting and committing to loans.

The Retail Credit Risk Department directs La Banque Postale's Group Retail Credit Committee which is the highest delegating body within La Banque Postale Group with respect to granting loans to individuals.

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

Beyond the scope of its own authority, it has these "rules of the game" approved by the Group Risk Management Committee (chaired by a member of the Executive Board) or by the Executive Board, if requested by the Chairman of the Group Risk Management Committee.

After validation, the Retail Credit Risk Department ensures implementation and monitors the proper application of these rules throughout the loan process.

As part of the development of the risk function, the LBPF, BPE and SOFIAP Heads of Risk now report to the Head of Group Risk.

In compliance with applicable regulations, the Retail Credit Risk Department guarantees implementation of audit and risk monitoring procedures and coordinates all necessary related steps.

Monitoring is provided by the Group Risk Management Committee over the consolidated scope with specific monitoring of each of the subsidiaries.

4.4.2.2 Legal entity credit risk

La Banque Postale's credit activities in the Legal Entities scope are on two levels:

- ▶ as part of its commercial activity to finance the economy, La Banque Postale, via its Corporate and Regional Development Department (DEDT), and its specialised credit division (La Banque Postale Leasing et Factoring – LBP LF) serves the following customer segments: Businesses, Professionals, the Local Public Sector (local communities, public health institutions, social housing landlords), Associations, and Large Clients;
- ▶ as part of its Corporate and Investment Bank and financial markets activities, La Banque Postale manages the following financial instruments: debt securities, undertakings in collective investment, securitisation funds, derivatives (swaps, capfloors, options, forex, futures, credit derivatives, foreign exchange derivatives), repurchase/reverse repurchase transactions, total return swaps, securitisation (since September 2019).

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

Approval process

The investigation and decision-making process is based on eligibility conditions, analysis and determination of a financial score specific to each segment, and in some cases, on the collection of guarantees.

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

- ▶ delegation schemes suited to each segment;
- ▶ individual and overall risk monitoring.

The financing offered to the different customer segments is controlled by the:

- ▶ Risk Management Policies, validated by the Executive Board via the Group Risk Management Committee
- ▶ Risk Management Rules validated by the Group Risk Department, via the Risk Management Rules Validation Committee.

Investment limits

In investment matters, third parties are systematically rated and allocated an individual limit which is intended to limit the total commitment. Where applicable, these individual limits are supplemented by so-called group limits, which govern exposure to a group of third parties that are considered as a single beneficiary.

La Banque Postale's investment policy for Sovereigns, Institutions, Financial Institutions, 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 and validated by the Executive Board (via its Commitment Committee).

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 limiting the risk of concentration on groups of counterparties classified according to their geographic area, business segment, type of activity and internal rating.

The Group Risk Management Committee 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 Group Risk Management Committee.

4.4.3 Exposure to credit risk

4.4.3.1 Overview of credit risk exposure

Net total and average exposure amounts

(in € millions)	Net book value of exposures at the end of the financial period	Average net exposures during the financial period
Central governments and central banks	-	-
Institutions	-	-
Corporate	-	-
► <i>Of which: Specialised financing</i>	-	-
► <i>Of which: SME</i>	-	-
Retail customers	-	-
► <i>Exposures secured by real estate</i>	-	-
► SME	-	-
► Non-SME	-	-
► <i>Eligible renewable exposures</i>	-	-
► <i>Other – retail customers</i>	-	-
► SME	-	-
► Non-SME	-	-
Equities	-	-
Total NI approach	-	-
Central governments and central banks	129,465	130,829
Regional governments and local authorities	11,764	11,048
Public sector entities	782	742
Multilateral development banks	-	46
International organisations	2	1
Institutions	47,580	46,888
Corporate	28,087	26,551
► <i>Of which: SME</i>	4,213	3,434
Retail customers	22,152	20,535
► <i>Of which: SME</i>	1,478	1,060
Exposures secured by mortgages on real estate	25,572	23,280
► <i>Of which: SME</i>	3,060	12,658
Exposures in default	611	624
Items with particularly high risk	1,311	1,248
Covered bonds	2,949	2,993
Receivables from institutions and companies subject to one of the companies subject to a short-term credit evaluation	-	-
Securities of undertakings for collective investment	434	392
Equities exposure	4,617	4,527
Other exposures	3,417	3,663
Total standardised approach	278,740	273,366
TOTAL	278,740	273,366

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 31 December 2019, La Banque Postale's portfolio consisted of 46.4% exposure to central governments and central banks, including the credit exposure of the Bank to the Caisse des dépôts et consignations as a result of the Centralisation of "regulated" savings (Livret A, LDDS, etc.).

The other main exposures in the portfolio consist essentially of La Banque Postale's traditional core business with €22 billion in

direct exposure to retail customers (mortgage loan exposure, consumer credit, current accounts) plus the banking portfolio (€ 47 billion) which consists primarily of the La Banque Postale's home loans guaranteed by Crédit Logement (€35 billion). The exposures secured by real estate include the Dutch home mortgage portfolios in the amount of €4.2 billion.

Lastly, the significant increase in La Banque Postale's assets in the Corporate and Regional and Local Authorities portfolios (€28 billion and €11.7 billion, respectively), reflecting La Banque Postale's growth in this customer segment, should be noted.

Geographical breakdown of exposure

(in € millions)	Net carrying amount												Total
	Euro zone	Country France	Country Germany	Country Other	Americas	Country United States	Country Canada	Country Other	Asia	Japan	Country Other	Other regions	
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total NI approach	-	-	-	-	-	-	-	-	-	-	-	-	-
Central governments and central banks	128,894	119,028	3,136	6,730	358	-	358	-	161	123	38	51	129,465
Regional governments and local authorities	11,699	11,699	-	-	41	-	41	-	-	-	-	24	11,764
Public sector entities	782	782	-	-	-	-	-	-	-	-	-	0	782
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	2	1	-	1	-	-	-	-	-	-	-	0	2
Institutions	45,200	41,486	244	3,470	2,046	2,012	34	0	2	2	-	331	47,580
Corporate	27,887	26,976	228	683	158	157	1	(0)	2	0	1	40	28,087
Retail customers	22,137	21,802	31	305	1	1	0	0	0	0	0	13	22,152
Retail Exposures secured by mortgages on real estate	25,552	21,932	1	3,619	3	3	0	-	1	1	-	16	25,572
Exposures in default	599	594	-	5	0	0	-	-	-	-	-	12	611
Items with particularly high risk	1,276	1,115	-	161	35	35	-	-	-	-	-	-	1,311
Covered bonds	2,009	1,530	-	479	669	-	669	-	76	45	30	195	2,949
Receivables from institutions and companies being evaluated for short-term credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities of undertakings for collective investment	429	297	-	132	-	-	-	-	5	5	-	-	434
Equities exposure	4,617	4,462	59	95	-	-	-	-	-	-	-	-	4,617
Other exposures	3,417	3,417	-	-	-	-	-	-	-	-	-	-	3,417
Total standardised approach	274,500	255,121	3,698	15,681	3,313	2,208	1,104	0	247	177	70	681	278,740
TOTAL	274,500	255,121	3,698	15,681	3,313	2,208	1,104	0	247	177	70	681	278,740

Exposure concentration by type of industry or counterparty

(in € millions)	Holding activities	Public and related authorities	Aeronautics and defence	Agri-culture	Food and beverages	Insurance	Auto-motive	Other industries	Other services	Other financial services	Current consumer goods (non-food)	Construction and public works/Construction materials	Chemistry
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total NI approach	-	-	-	-	-	-	-	-	-	-	-	-	-
Central governments and central banks	-	123,999	-	1	0	-	1	0	2	354	1	7	-
Regional governments and local authorities	-	9,702	-	-	-	-	-	-	0	-	-	123	1
Public sector entities	-	721	-	-	-	-	-	-	-	37	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	2	-	-	-	-	-	-	-	-	-	-	-
Institutions	5	0	0	6	4	0	19	5	93	11,564	6	42	1
Corporate	2,123	234	43	75	189	589	436	252	4,045	922	70	546	89
Retail customers	181	0	1	14	17	0	16	7	191	68	18	54	0
Mortgage on a property	121	1	0	9	13	-	8	4	260	192	5	46	1
Exposures in default	12	2	0	0	0	0	2	2	35	6	0	4	0
Items with particularly high risk	2	-	-	-	-	-	-	-	0	1,007	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	2,949	-	-	-
Receivables from institutions and companies being evaluated for short-term credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities of undertakings for collective investment	-	-	-	-	-	-	-	-	177	257	-	-	-
Equities exposure	61	72	-	-	-	3,632	-	0	487	336	-	-	-
Other exposures	-	-	-	-	-	-	-	-	3,417	-	-	-	-
Total standardised approach	2,506	134,733	44	106	223	4,221	482	272	8,709	17,691	101	822	91
TOTAL	2,506	134,733	44	106	223	4,221	482	272	8,709	17,691	101	822	91

Cos- metics, personal care and other household products	Distri- bution	Energy	Real estate	Infra- structure	IT & Techno- logy	Luxury	Media and com- muni- cation	Retail	Phar- macy	Commo- dities	Health care, social and educa- tion	Tele- commu- nications	Tourism, hotels, restau- rants, leisure	Trans- port and Logistics	Utilities	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	3	-	1	1	2	0	2	4,998	-	1	12	-	2	75	0	129,465
-	0	-	1,515	244	3	-	0	-	-	-	134	-	4	31	6	11,764
-	-	-	25	-	-	-	-	-	-	-	-	-	-	-	-	782
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
7	31	-	257	4	15	0	17	35,291	0	9	153	3	24	21	1	47,580
12	1,734	20	8,393	538	211	1	91	1,499	64	327	671	558	319	1,976	2,062	28,087
10	89	0	596	10	18	0	15	20,673	0	17	76	1	36	38	5	22,152
8	135	-	5,328	20	13	0	22	18,943	-	11	191	96	114	14	17	25,572
0	13	-	53	0	0	0	1	459	0	1	1	0	8	8	0	611
-	-	-	296	-	4	-	-	-	-	-	-	-	-	-	-	1,311
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,949
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	434
-	-	-	17	-	12	-	-	-	-	-	-	-	-	-	-	4,617
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,417
40	2,006	20	16,480	818	278	2	149	81,863	64	364	1,239	658	508	2,163	2,090	278,740
40	2,006	20	16,480	818	278	2	149	81,863	64	364	1,239	658	508	2,163	2,090	278,740

Sector exposures are given for the classifications “Central governments” or “Institutions” as the data presented in the table above includes the effects of Basel substitution: therefore, the outstandings guaranteed by banking or Central government (FGAS) sector bodies are included in the Individuals sectors.

At 31 December 2019, La Banque Postale’s credit portfolio remained very concentrated on the French domestic market (nearly 92% of its exposure) due to the nature of its historical core business (financing of retail customers in France).

La Banque Postale’s international exposure was concentrated in the eurozone countries (7% of exposure for €19.4 billion) notably primarily attributable to its holding of sovereign debt, banking securities and securities of major European companies, as well as to the Dutch home mortgage portfolios (€4.2 billion).

With respect to the sector allocation of the Corporate exposure, at 31 December 2019, La Banque Postale’s portfolio was well

diversified, beyond the concentrations inherent to its traditional core business.

The composition of La Banque Postale’s Corporate portfolio reflects its recent history in financing this type of clientèle:

- ▶ with a substantial share of the financing in the property sector tied to the (relative) age of the La Banque Postale’s property leasing and mortgage loan activities;
- ▶ with another substantial share in the Transport sector (7% exposure), a reflection of the development of the La Banque Postale’s Asset and Project Financing and equipment leasing businesses;
- ▶ and lastly, a significant weight in sectors which include the largest French groups: (Utilities – 7.3%-, Construction – 1.9%-, Retail – 6.1%, etc.).

Exposure maturities

(in € millions)	Net Exposure Value					Total
	on request	<= 1year	> 1year <= 5years	> 5 years	No maturity state	
Institutions	-	-	-	-	-	-
Corporate	-	-	-	-	-	-
Retail customers	-	-	-	-	-	-
Equities	-	-	-	-	-	-
Total NI approach	-	-	-	-	-	-
Central governments and central banks	67,606	4,931	10,270	25,401	21,256	129,465
Regional governments and local authorities	695	2,449	1,047	7,572	0	11,764
Public sector entities	232	33	66	448	2	782
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	2	-	2
Institutions	115	475	9,414	37,076	500	47,580
Corporate	2,372	4,178	8,215	13,120	202	28,087
Retail customers	65	391	3,850	17,507	338	22,152
Mortgage on a property	7	87	1,948	23,530	-	25,572
Exposures in default	35	8	77	476	15	611
Items with particularly high risk	-	6	165	1,140	-	1,311
Covered bonds	-	890	1,627	431	-	2,949
Receivables from institutions and companies being evaluated for short-term credit	-	-	-	-	-	-
Securities of undertakings for collective investment	-	-	-	277	157	434
Equities exposure	-	-	-	-	4,617	4,617
Other exposures	-	-	-	2,042	1,375	3,417
Total standardised approach	71,127	13,449	36,679	129,025	28,460	278,740
TOTAL	71,127	13,449	36,679	129,025	28,460	278,740

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 31 December 2019, the distribution of La Banque Postale’s exposure based on residual maturity reflected its historical

financing of retail customers and the collection of regulated savings centralised with the Caisse des dépôts et consignations. As a result 52% of the 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 exposures by exposure categories and instrument

		Gross book values				Total balance sheet withdrawals	Allowances for credit risk adjustments over the period	Net value
		Exposures in default	Exposures not in default-	Specific credit risk adjustments	General credit risk adjustments			a + b + c - d
(in € millions)								
1	Central governments and central banks							
2	Institutions	-	-	-	-	-	-	-
3	Corporate	-	-	-	-	-	-	-
4	Of which: Specialised financing	-	-	-	-	-	-	-
5	Of which: SME	-	-	-	-	-	-	-
6	Retail customers	-	-	-	-	-	-	-
7	Exposures secured by real estate	-	-	-	-	-	-	-
8	SME	-	-	-	-	-	-	-
9	Non-SME	-	-	-	-	-	-	-
10	Eligible renewable exposures	-	-	-	-	-	-	-
11	Other – retail customers	-	-	-	-	-	-	-
12	SME	-	-	-	-	-	-	-
13	Non-SME	-	-	-	-	-	-	-
14	Equities	-	-	-	-	-	-	-
15	Total NI approach	-	-	-	-	-	-	-
16	Central governments and central banks	-	124,001	2	-	16	(16)	123,999
17	Regional governments and local authorities	-	9,685	-	-	-	-	9,685
18	Public sector entities	-	735	1	-	0	(1)	734
19	Multilateral development banks	-	-	-	-	-	-	-
20	International organisations	-	2	-	-	-	-	2
21	Institutions	-	11,920	7	-	-	1	11,913
22	Corporate	-	28,358	93	-	2	84	28,265
23	Of which: SME	-	-	-	-	-	-	-
24	Retail customers	-	64,567	192	-	40	53	64,376
25	Of which: SME	-	-	-	-	-	-	-
26	Exposures secured by mortgages on real estate	-	25,572	-	-	-	-	25,572
27	Of which: SME	-	-	-	-	-	-	-
28	Exposures in default	1,462	-	578	-	-	-	884
29	Items with particularly high risk	-	1,311	-	-	-	-	1,311
30	Covered bonds	-	2,949	-	-	-	-	2,949
31	Receivables from institutions and companies being evaluated for short-term credit	-	-	-	-	-	-	-
32	Securities of undertakings for collective investment	-	434	-	-	-	-	434
33	Equities exposure	-	5,202	1	-	-	0	5,201
34	Other exposures	-	3,417	0	-	-	(0)	3,417
35	Total standardised approach	1,462	278,152	874	-	58	120	278,740
36	TOTAL	1,462	278,152	874	-	58	120	278,740
37	Of which: Loans	-	-	-	-	-	-	-
38	Of which: Debt securities outstanding	-	-	-	-	-	-	-
39	Of which: Off-balance sheet exposures	-	-	-	-	-	-	-

Unlike the previous tables presented, the data shown in the table above does not include the Basel substitution effects in the classification of exposures and thus allows for the exposures in default post-provisioning to be visualised.

Credit quality of loans and advances by business sector

	Gross carrying amount					Cumulative negative changes in fair value due to credit risk on non-performing exposures
	Non-performing			Of which loans and advances subject to impairment	Cumulative impairment	
(in € millions)		Of which defaulted				
Private individuals	-	-	-	-	-	-
Holding activities	1,534	4	4	4	4	-
Public and related authorities	14,116	0	0	0	0	-
Aeronautics and defence	43	0	0	0	0	-
Agriculture	33	0	0	0	0	-
Food and beverages	174	1	1	1	1	-
Insurance	1,045	0	0	0	0	-
Automotive	408	2	2	2	2	-
Other industries	208	2	2	2	2	-
Other services	993	8	8	8	8	-
Other financial services	3,591	1	1	1	1	-
Current consumer goods (non-food)	81	0	0	0	0	-
Construction and public works/Construction materials	629	4	4	4	4	-
Chemistry	87	0	0	0	0	-
Cosmetics, personal care and other household products	15	0	0	0	0	-
Distribution	1,414	19	19	19	19	-
Energy	20	-	-	-	-	-
Real estate	12,547	49	49	49	49	-
Infrastructure	482	1	1	1	1	-
IT & Technology	158	0	0	0	0	-
Luxury	1	0	0	0	0	-
Media and communication	94	1	1	1	1	-
Pharmacy	4	0	0	0	0	-
Commodities	263	0	0	0	0	-
Health care, social and education	530	1	1	1	1	-
Telecommunications	646	0	0	0	0	-
Tourism, hotels, restaurants, leisure	400	11	11	11	11	-
Transport and Logistics	1,170	21	21	21	21	-
Utilities	2,364	0	0	0	0	-
Not allocated	1,671	0	0	0	0	-
TOTAL	44,723	124	124	124	124	

Unlike the other table shown above the scope of information presented is specific to non-financial companies only.

Quality of non-performing exposures by region

	Gross carrying amount/nominal amount					Provisions relating to off balance sheet commitments and financial collateral given	Cumulative negative changes in fair value due to credit risk on non-performing exposures
	Non-performing			Cumulative impairment			
(in € millions)		Of which defaulted	Of which subject to impairment				
BALANCE SHEET EXPOSURES	249,387	853	853	853	(833)	0	0
Euro zone	245,762	841	841	841	(816)	0	0
France	227,165	837	837	837	(805)	0	0
Germany	3,643	0	0	0	(1)	0	0
Other	14,954	5	5	5	9	0	0
Americas	2,702	0	0	0	(1)	0	0
United States	1,598	0	0	0	(1)	0	0
Canada	1,104	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Asia	247	0	0	0	0	0	0
Japan	177	0	0	0	0	0	0
Other	70	0	0	0	0	0	0
Other geographical regions	677	12	12	12	(16)	0	0
OFF-BALANCE SHEET EXPOSURES	29,354	31	31	31	0	(41)	0
Euro zone	28,738	31	31	31	0	(41)	0
France	27,956	31	31	31	0	(40)	0
Germany	56	0	0	0	0	0	0
Other	727	0	0	0	0	0	0
Americas	611	0	0	0	0	0	0
United States	611	0	0	0	0	0	0
Canada	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Asia	0	0	0	0	0	0	0
Japan	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Other geographical regions	5	0	0	0	0	0	0
TOTAL	278,740	884	884	884	(833)	(41)	0

Unlike the previous tables presented, the data shown in the table above does not include the Basel substitution effects in the classification of exposures and thus allows for the exposures in default post-provisioning to be visualised.

4.4.4 Credit risk-weighted assets

Standardised approach

Exposure categories (in € millions)	Weighting						
	0%	2%	4%	10%	20%	35%	50%
Central governments and central banks	128,420	-	-	-	50	-	-
Regional governments and local authorities	-	-	-	-	9,990	-	-
Public sector entities	-	-	-	-	707	-	40
Multilateral development banks	-	-	-	-	-	-	-
International organisations	2	-	-	-	-	-	-
Institutions	71	2	-	-	38,090	-	7,032
Corporate	-	-	-	-	2,105	-	8,082
Retail customers	-	-	-	-	-	-	-
Exposures secured by mortgages on real estate	-	-	-	-	-	20,614	3,281
Exposures in default	-	-	-	-	-	-	-
Exposures with particularly high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	2,948	-	-	-
Institutions and companies being evaluated for short-term credit	-	-	-	-	-	-	-
Securities of undertakings for collective investment	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-
Other items	1,168	-	-	-	-	-	-
TOTAL	129,660	2	-	2,948	50,942	20,614	18,435

Weighting									Other	Deducted
70%	75%	100%	150%	250%	370%	1,250%	Other	Deducted		
-	-	3	-	-	-	-	-	-	128,473	-
-	-	0	-	-	-	-	-	-	9,990	-
-	-	13	-	-	-	-	-	-	759	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	2	-
-	-	13	-	-	-	-	-	-	45,208	-
-	-	13,559	976	-	-	-	-	-	24,722	-
-	15,008	-	-	-	-	-	-	-	15,008	-
-	-	1,622	-	-	-	-	-	-	25,518	-
-	-	489	80	-	-	-	-	-	568	-
-	-	-	1,246	-	-	-	-	-	1,246	-
-	-	-	-	-	-	-	-	-	2,948	-
-	-	-	-	-	-	-	-	-	-	-
-	-	398	-	-	-	-	-	-	398	-
-	-	4,297	-	318	-	-	-	-	4,615	-
-	-	2,249	-	-	-	-	-	-	3,417	-
-	15,008	22,644	2,302	318	-	-	-	-	262,873	-

4.4.5 Exposures in default, renegotiated exposures and adjustments for credit risk

Quality of credit of renegotiated exposures

(in € millions)	Gross carrying amount/nominal amount of renegotiated exposures				Accumulated impairment, accumulated negative variations in fair value due to credit risk and provisions		Sureties and financial guarantees received for the renegotiated exposures	
	Renegotiated non-performing				On renegotiated performing exposures	On renegotiated non-performing exposures	Of which sureties and financial guarantees received for renegotiated non-performing exposures	
	Renegotiated performing	Of which defaulted	Of which, amortised					
Loans and advances	75.79	357.71	357.71	357.71	(1.10)	(165.39)	131.76	92.43
Central banks	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public authorities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Credit institutions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other financial companies	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Non-financial companies	5.81	57.54	57.54	57.54	(0.01)	(29.67)	29.63	24.43
Households	69.98	300.17	300.17	300.17	(1.09)	(135.72)	102.12	68.01
Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan commitments given	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	75.79	357.71	357.71	357.71	(1.10)	(165.39)	131.76	92.43

Credit quality of performing and non-performing exposures by days late

Gross carrying amount/nominal amount												
Performing exposures						Non-performing exposures						
(in € millions)		Not in arrears or in arrears ≤ 30 days	In arrears > 30 days ≤ 90 days		Payment unlikely, but not in arrears or in arrears ≤ 90 days	In arrears > 90 days ≤ 180 days	In arrears > 180 days ≤ 1 year	In arrears > 1 year ≤ 2 years	In arrears > 2 years ≤ 5 years	In arrears > 5 years ≤ 7 years	In arrears > 7 years	Of which defaulted
Loans and advances	204,963	204,314	649	0	780	126	161	138	146	18	5	1,374
Central banks	21,245	21,245	0	0	0	0	0	0	0	0	0	0
Public authorities	76,791	76,474	317	0	0	0	0	0	1	0	0	1
Credit institutions	3,141	3,140	1	0	0	0	0	0	0	0	0	0
Other financial companies	7,552	7,552	0	0	0	0	0	0	0	0	0	0
Non-financial companies	24,714	24,513	200	0	156	6	32	26	5	0	0	225
Of which, SMEs	11,545	11,449	96	0	47	3	22	4	1	0	0	76
Households	71,521	71,389	131	0	624	120	130	112	140	18	5	1,148
Debt securities outstanding	28,074	28,074	0	0	0	0	0	0	0	0	0	0
Central banks	0	0	0	0	0	0	0	0	0	0	0	0
Public authorities	25,135	25,135	0	0	0	0	0	0	0	0	0	0
Credit institutions	1,381	1,381	0	0	0	0	0	0	0	0	0	0
Other financial companies	877	877	0	0	0	0	0	0	0	0	0	0
Non-financial companies	680	680	0	0	0	0	0	0	0	0	0	0
Off-balance sheet exposures	47,388			0								30
Central banks	2,130			0								0
Public authorities	6,018			0								0
Credit institutions	17,536			0								0
Other financial companies	2,612			0								0
Non-financial companies	7,885			0								3
Households	11,207			0								27
TOTAL	280,426	232,388	649	0	780	126	161	138	146	18	5	1,404

(in € millions)	Gross carrying amount/nominal amount												Accumulated impairment, accumulated negative variations in fair value due to credit risk and provisions			Sureties and financial guarantees received						
	Performing exposures				Non-performing exposures				Performing exposures – accumulated impairment and provisions				Non-performing exposures – accumulated impairment, accumulated negative variations in fair value due to credit risk and provisions				Total partial balance sheet withdrawals		On performing exposures		On non-performing exposures	
	of which, step 1	of which, step 2	of which, step 2	of which, step 3	of which, step 1	of which, step 2	of which, step 2	of which, step 3	of which, step 2	of which, step 3	of which, step 2	of which, step 3	of which, step 2	of which, step 3	of which, step 2	of which, step 3	of which, step 2	of which, step 3				
Loans and advances	204,963	201,889	3,074	1,374	0	1,374	(243)	(97)	(147)	580	0	(580)	(41)	65,115	469							
Central banks	21,245	21,245	0	0	0	0	0	0	0	0	0	0	0	0	0							
Public authorities	76,791	76,790	1	1	0	1	(1)	(1)	0	0	0	0	0	264	0							
Credit institutions	3,141	3,141	0	0	0	0	(1)	(1)	0	0	0	0	0	78	0							
Other financial companies	7,552	7,535	17	0	0	0	(2)	(1)	(1)	0	0	0	0	347	0							
Non-financial companies	24,714	23,873	840	225	0	225	(77)	(38)	(39)	(116)	0	(116)	0	12,456	66							
Of which, SMEs	11,545	11,235	310	87	0	87	(36)	(23)	(13)	(26)	0	(26)	0	5,500	25							
Households	71,521	69,305	2,216	1,148	0	1,148	(162)	(56)	(106)	(464)	0	(464)	(41)	51,970	403							
Debt securities outstanding	28,074	28,043	31	0	0	0	(6)	(3)	(3)	0	0	0	0	0	0							
Central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0							
Public authorities	25,135	25,135	0	0	0	0	(1)	(1)	0	0	0	0	0	0	0							
Credit institutions	1,381	1,381	0	0	0	0	0	0	0	0	0	0	0	0	0							
Other financial companies	877	876	1	0	0	0	(1)	(1)	0	0	0	0	0	0	0							
Non-financial companies	680	650	31	0	0	0	(4)	(1)	(3)	0	0	0	0	0	0							
Off-balance sheet exposures	47,388	46,913	475	30	0	30	39	25	14	1	0	1	0	0	0							
Central banks	2,130	2,130	0	0	0	0	0	0	0	0	0	0	0	0	0							
Public authorities	6,018	6,018	0	0	0	0	1	1	0	0	0	0	0	0	0							
Credit institutions	17,536	17,436	100	0	0	0	0	0	0	0	0	0	0	0	0							
Other financial companies	2,612	2,604	8	0	0	0	0	0	0	0	0	0	0	0	0							
Non-financial companies	7,885	7,706	179	3	0	3	10	5	5	0	0	0	0	0	0							
Households	11,207	11,018	188	27	0	27	28	20	9	1	0	1	0	0	0							
TOTAL	280,426	276,845	3,581	1,404	0	1,404	(210)	(74)	(136)	(579)	0	(579)	(41)	65,115	469							

The data shown in the tables above differ from the other tables, as the methodology applied is based in book values as declared in the published financial statements (FINREP). The other tables are based on the book values as declared in the prudential consolidation scope.

Change in the balance of adjustments for general and specific credit risks (EU CR2-A)

(in € millions)	Cumulative amount of adjustments for specific credit risk	Cumulative amount of adjustments for general credit risk
INITIAL BALANCE	768	-
Increases due to amounts provisioned for probable losses on loans during the financial year	332	-
Decreases due to amounts reversed for probable losses on loans during the financial year	(226)	-
Decreases in the inventory of adjustments for credit risks	-	-
Transfers between adjustments for credit risks	-	-
Business combinations including acquisitions and disposals of subsidiaries	-	-
Other adjustments	-	-
CLOSING BALANCE	874	0

The data presented in the table above corresponds to a prudential vision of the Expected Credit Losses (ECL) calculated by the Group Risk Department, in accordance with the new IFRS 9 standards that entered into force on 1 January 2018.

4.4.6 Credit risk mitigation techniques

4.4.6.1 Credit risk mitigation system

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, the Bank 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.

La Banque Postale relies on a Guarantor Referencing Committee for retail credit risk. A TARC committee will be set up in 2019 for the other segments. The two committees manage the eligibility of the guarantees taken by La Bank Postale and monitor them.

To mitigate home 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 the Group Risk Management Policy, namely:

- ▶ a first (or equivalent) mortgage security: moneylender's privilege, 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.

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 doesn't justify the granting of a loan.

La Banque Postale uses three main organisations/collaterals:

1. Crédit Logement,
2. Fonds de cohésion sociale (FGAS),
3. Nationale Hypotheek Garantie (NHG).

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 outstandings guaranteed by the FGAS for institutions using the standard 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 mortgage 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. Some consumer loans can be subject to a guarantee or pledge.

Risk mitigation technique for commercial banking activities in the commercial banking market for legal entities

In the area of guarantees and credit risk mitigation techniques for legal entities, 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 be 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, the La Banque Postale Group 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.

A TARC Committee, which will be implemented in 2019, will be responsible for approving the eligibility of collateral with respect to regulations and its implementation in the Group standard.

4.4.6.2 Quantitative information on credit risk mitigation techniques**ARC techniques – Overview**

(in € millions)	Unsecured exposures – Book value	Guaranteed exposures – Book value	Exposures guaranteed with sureties	Exposures guaranteed with financial guarantees	Exposures guaranteed with credit derivatives
Total loans	141,254	43,550	23,670	458	-
Total debt securities	66,234	2,438	433	704	-
Total exposure	207,487	45,987	24,104	1,162	-
Of which defaulted	395	273	208	8	-

Unsecured exposures include exposures to centralised savings with the Caisse des dépôts et consignations (CDC) for €67 billion.

Standardised approach – Credit risk exposure and effect of ARC measures

(in € millions)	Pre-FCEC and ARC exposures		Post-FCEC and ARC exposures		RWA and RWA density	
	Balance sheet amount	Off-balance sheet amount	Balance sheet amount	Off-balance sheet amount	RWA	Density of RWA
Exposure categories						
Central governments and central banks	122,572	1,427	127,927	546	13	0.0%
Regional governments and local authorities	5,843	3,842	7,605	2,385	1,986	19.9%
Public sector entities	635	99	680	78	174	22.9%
Multilateral development banks	-	-	-	-	-	-
International organisations	-	2	-	2	-	-
Institutions	8,353	3,560	42,259	2,949	11,112	24.6%
Corporate	19,791	8,474	19,636	5,085	19,304	78.1%
Retail customers	53,275	11,101	12,803	2,205	11,011	73.4%
Exposures secured by mortgages on real estate	25,139	433	25,085	433	10,348	40.6%
Exposures in default	853	31	564	4	608	107.0%
Exposures with particularly high risk	1,001	310	937	310	1,863	149.4%
Covered bonds	2,949	-	2,948	-	295	10.0%
Institutions and companies being evaluated for short-term credit	-	-	-	-	-	-
Securities of undertakings for collective investment	431	3	395	3	398	100.0%
Equities	5,129	72	4,543	72	5,091	110.3%
Other items	3,417	-	3,417	-	2,249	65.8%
TOTAL	249,387	29,354	248,800	14,073	64,453	25%

At 31 December 2019, the average weighting of La Banque Postale's credit portfolio was 25% using the standardised 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 backed 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 receive less favourable weightings using the standardised approach, at equal rating.

4.4.7 Use of external credit rating agencies

La Banque Postale calls on external ratings agencies in the context of its legal entity customer credit activities. In 2019, five external organisations were used by La Banque Postale in 2018 to determine the external ratings used for counterparties: Standard & Poor's, Moody's, Fitch, DBRS and FIBEN.

These five ratings 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 five agencies.

The EBA's prudential correspondence tables are applied in order to determine the credit risk weightings using the standardised method of valuing risk-weighted assets.

4.4.8 Counterparty risk

4.4.8.1 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 Bank) enters into an International Swaps and Derivatives Association (ISDA) or French Banking Federation (FBF) derivatives contract with a third party. The scope of types of options, as currently defined, that generate a counterparty risk is as follows:

- ▶ credit derivatives;
- ▶ forwards;
- ▶ FX forwards;
- ▶ options;
- ▶ swaps.

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.

Counterparty risk is also generated by all security loans/borrowings (or equivalent) held in La Banque Postale portfolios, namely:

- ▶ repurchase and reverse repurchase agreements (repo and reverse repo transactions), which generally have underlying bonds, and may be covered by GMRA (Global Master Repurchase Agreement) or FBF (Fédération Bancaire Française) contracts. The principal leg (i.e. negotiated at the start of the transaction) of these agreements is the cash leg. The securities leg(s) therefore forms the collateral in these transactions;

The residual risks are subject to limits and are periodically monitored by the Corporate, Public Sector and Institutional Credit Risk Department.

4.4.8.2 Exposure to counterparty risk

Analysis of exposure to counterparty credit risk by approach

(in € millions)	Notional amounts	Cost of replacement/ Current market value	Potential and future credit exposure	Effective anticipated positive exposure	Multiplier	Value exposed to risk post-ARC	RWA
Of which method using market prices	-	6,971	1,051	-	-	6,009	1,672
Initial exposure	-	-	-	-	-	-	-
Standardised approach	-	-	-	-	-	-	-
IMM (for derivatives and SFT)	-	-	-	-	-	-	-
Of which securities financing transactions	-	-	-	-	-	5,127	1,369
Of which derivatives and deferred settlement transactions	-	-	-	-	-	882	303
Of which resulting from a multiproduct clearing agreement	-	-	-	-	-	1,002	359
Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-
Financial collateral simple method (for SFTs)	-	-	-	-	-	6,009	1,672
VaR for SFTs	-	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-	1,672

Exposure to central counterparties

	Weighting											Total	Of which not rated
(in € millions)	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other		
Exposure categories													
Central governments and central banks	2	-	-	-	-	-	-	-	-	-	-	2	-
Regional governments and local authorities	-	-	-	-	30	-	-	-	-	-	-	30	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	2,420	-	-	1,251	1,870	-	-	36	-	-	5,577	2,096
Corporate	-	-	-	-	1	42	-	-	319	37	-	399	288
Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and companies being evaluated for short-term credit	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	0	-	0	0
TOTAL	2	2,420	-	-	1,283	1,912	-	-	355	37	-	6,009	-

Central counterparties are grouped with institutions from a prudential standpoint.

Exposure to central counterparties

(in € millions)	Value exposed to post-ARC risk	RWA
Exposures to QCCP (total)	-	55
Exposure to transactions with qualifying central counterparties (to the exclusion of initial margins and contributions for default funds); of which	2,398	48
(i) OTC derivatives	302	6
(ii) Listed derivatives	-	-
(iii) SFTs	2,096	42
(iv) All clearing in which multiproduct clearing has been approved	434	138
Segregated initial margin	1,876	-
Non-segregated initial margin	2	0
Contributions to pre-funded default funds	39	7
Alternative calculation method of the capital requirement for exposure	-	-
Exposures to non-QCCP (total)	-	1
Exposure to transactions with non-qualifying central counterparties (to the exclusion of initial margins and contributions for default funds); of which	-	-
(i) OTC derivatives	-	-
(ii) Listed derivatives	1	1
(iii) SFTs	-	-
(iv) All clearing in which multiproduct clearing has been approved	-	-
Segregated initial margin	-	-
Non-segregated initial margin	-	-
Contributions to pre-funded default funds	-	-
Contributions to non-funded default funds	-	-

Incidence of netting and guarantees held on exposed assets

(in € millions)	Positive gross fair value or net book value	Netting gain	Current credit exposure after netting	Guarantees held	Net credit exposures
Derivatives	2,947	978	1,795	802	993
SFTs	19,186	17,775	5,166	-	5,166
Multiproduct netting	-	-	-	-	-
TOTAL	22,133	18,753	6,961	802	6,159

(in € millions)	Collateral used in derivative contracts				Collateral used in SFTs	
	Fair value of the collateral received		Fair value of the collateral given		Fair value of the collateral received	Fair value of the collateral given
	Segregated	Non-segregated	Segregated	Non-segregated		
...	539	-	523	-	32,511	26,979
TOTAL	539	-	523	-	32,511	26,979

Exposures to credit derivatives

(in € millions)	Hedges based on credit derivatives		
	Protection purchased	Protection sold	Other credit derivatives
Notional amounts			
Single-signature CDS	3,710	-	-
Indexed CDS	-	-	-
Total return swaps	-	-	-
Credit options	-	-	-
Other credit derivatives	-	-	-
Total notional amounts	3,710	-	-
Fair values	42	-	-
Positive fair value (assets)	42	-	-
Negative fair value (liabilities)	-	-	-

4.4.9 Securitisation

La Banque Postale has €10 millions in exposure to securitisation as defined in regulations.

An investment in securitisation units was made in 2012; the underlying assets are receivables outstanding from Italian pharmacies. The securitisation portfolio is of good quality: the tranche in which La Banque Postale invested in 2012 has received a top tier rating.

The other investments in this asset class were brought to La Banque Postale when it was created in 2006 and have been managed in run-off since then. These other investments account for a non-significant level of exposure.

Bank portfolio securitisation exposures

(in € millions)

	Classic	Synthetic	Total
Total “retail”	-	-	-
Of which residential property receivables	-	-	-
Of which credit cards	-	-	-
Of which other retail customer exposures	-	-	-
Of which re-securitisation	-	-	-
Total “wholesale”	-	-	-
Of which loans to companies	-	-	-
Commercial property receivables	-	-	-
Property leasing and receivables	-	-	-
Other wholesale customer exposures	10	-	10
re-securitisation	-	-	-

Bank portfolio securitisation exposures

	Value of exposures (by risk weighting band)					Value of exposures (by regulatory approach)				RWA (by regulatory approach)				Capital requirements after cap			
(in € millions)	<20%	20-50%	50-100%	100%-1,250%	12.5	AFN NI	AP NI	AS/APS	1,250%	AFN NI	AP NI	AS/APS	1,250%	AF NI	AP NI	AS/APS	1,250%
Total exposure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CLASSIC SECURITISATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which underlying retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	4	6	-	-	-	-	-	-	-	-	-	2	-	-	-	0	-
Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SYNTHETIC SECURITISATION	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which underlying retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

4.4.10 Large exposures

Regulations on large exposures are applied in accordance with the prudential requirements that apply to credit institutions and investment firms published in the official Journal of the European Union of 26 June 2013 (Directive 2013/36/EU and EU Regulation No. 575/2013 of the European Parliament and of the Council) and which entered into force on 1 January 2014. They stipulate that

institutions must comply with the following limit: the total amount of risks incurred in respect of a single beneficiary may not exceed 25% of the Group's net equity.

At 31 December 2019, La Banque Postale was in compliance with the requirements of the Large Exposures regulations as notified to it by the supervisory authorities.

4.4.11 Quantitative counterparty credit risk information

CVA equity requirements

(in € millions)

	Exposure value	RWA
Total of portfolios under the advanced method	-	-
VaR component (including x the multiplier 3)	-	-
SVaR component (including x the multiplier 3)	-	-
All portfolios subject to the standardised method	510	185
Based on the initial exposure method	-	-
TOTAL SUBJECT TO CAPITAL REQUIREMENTS WITH REGARD TO THE CREDIT VALUATION ADJUSTMENT (CVA)	510	185

4

4.5 FINANCIAL RISKS

Financial risks are presented in two parts in this section:

- ▶ on one hand, overall financial risks covering the rate risk related to banking transformation and exchange activities for all of the business activities within the La Banque Postale's consolidated scope;
- ▶ and, on the other, the market risk related to trading positions, consisting of negotiable securities and derivative contracts with

the intent to trade as well as exposure value risk measured at fair value through profit or loss or equity;

Market risk as meant by prudential regulations corresponds exclusively to transactions carried out with an intent to trade, *i.e.* to only a part of the market risk as defined in the second paragraph above. It notably contains a charge to capital relative to the exchange risk, although the methods for managing it are covered in general as part of the consolidated scope in 4.5.1.

4.5.1 Structural banking portfolio rate risk, liquidity and exchange risk

4.5.1.1 Governance

ALM Committee

The ALM Committee (Asset and Liability Management Committee), the main decision-making body for matters concerning La Banque Postale's financial management, is an Executive Board committee chaired by the Chief Financial Officer.

The primary missions of the ALM Committee are:

- ▶ presentation of the ALM threshold and limit monitoring table to the managers;
- ▶ the periodic review of the modelling of customer products and formal validation of the associated assumptions after prior review by the Group Risk Department;
- ▶ annual review by the Committee of the overall cash envelope allocated to the CIB;
- ▶ setting the strategy in terms of rates and liquidity, within the framework of the Group's financial and commercial policies with regard to financing capacity and in accordance with the indicators;
- ▶ monitoring and management of the rate, liquidity and exchange risk indicators and anticipation of future changes given the directions of the commercial policy and observation of customer behaviour;
- ▶ validation of the internal disposal rate system;
- ▶ monitoring and management of the sensitivity of future margins;
- ▶ the setting of alert thresholds for rates, liquidity and exchange within the limits imposed by the risk appetite system proposed by the Group Risk Management Committee and validated by the management body;
- ▶ monitoring of the upgrading of La Banque Postale's processes to conform to ILAAP and IRRBB requirements;
- ▶ decisions regarding financial asset investment and issue policies;
- ▶ decisions regarding rate risk hedging policies to be implemented.

These missions apply to the La Banque Postale corporate entity as well as to its subsidiaries *via* their impact on the consolidated financial statements and the definition of their ALM policy.

Capital Operational Management Committee

This is a sub-committee of the ALM Committee, responsible for the operational application of ALM Committee decisions on the ALM banking book and on cash management.

It provides an interface between the ALM Committee, the Cash Management unit and other authorised divisions, to proceed with interest rate hedging transactions and liquidity transactions.

Group Risk Management Committee (CPRG)

This Committee validates risk management principles and thresholds. It validates the ALM risk management system, in particular the thresholds applicable to asset and liability management. It authorises and validates the instruments used for financial management (ALM, trading room).

Model Approval Committee

This Committee is in charge of validating the models of La Banque Postale Group, and includes the ALM models in its mapping and road map.

Risk Management Rules Validation Committee (CVRGR)

This Committee is responsible for approving the La Banque Postale Group's risk management rules. It is a sub-committee of the Group Risk Management Committee.

Capital Management Committee

The Capital Management Committee supervises matters related to capital management, the risk-weighting of assets and related indicators. In this respect, it defines capital management objectives (ratio, targets, etc.):

- ▶ it reviews the path of capital and of the weighted risks of assets;
- ▶ it defines action plans for shareholders' equity (securities issues, capital increase requests, arbitrage/business line direction, etc.) which can impact La Banque Postale Group's liquidity.

4.5.1.2 Banking portfolio rate risk

Interest rate risk management includes managing the sensitivity of the net interest margin.

The unit responsible for supervising and managing overall interest rate risk is the Balance Sheet Risk Department (DRF-RB) of the Financial Risk Department, which reports to the La Banque Postale Group Risk Department.

The Department has several goals:

- ▶ to provide periodic monitoring of the indicators used to manage La Banque Postale's overall consolidated interest rate risk and that of its banking subsidiaries;
- ▶ to carry out audits of the calculation processes for the various indicators (static and dynamic) and control the integrity of exposure calculations;
- ▶ to audit the methodologies used.

This risk is monitored using interest rate sensitivity indicators for future margins and for economic value and by modelling scenarios which allow the bank's capacity to withstand exogenous shocks to be assessed.

The interest rate movements foreseen affect both uncertain flows from financial products and the performance of Retail Banking operations, *via* the 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 their evolution based on commercial policy guidelines and observed customer behaviour. The rate risk indicators are also reviewed by the Group Risk Management Committee. Rate and liquidity risk reviews take place monthly.

Objectives

Interest rate risk is managed so as to hedge the sensitivity of La Banque Postale's future net interest margin under the constraint of compliance with economic value sensitivity indicators. This management is performed with dynamic procedures, based on the business plan, using interest rate derivatives (hedging) or modulating commercial policy.

The balance sheet includes implicit and explicit options, giving non-linear results for economic value based on interest rates. In this context, ALM proposes a regular re-balancing 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 rates or rates subject to review (Euribor, Inflation, Eonia, etc.) whilst taking into account likely outflow agreements, which are themselves dependent on market conditions. It encompasses several risk factors:

- ▶ fixing risk related to differences between new interest rates applied to assets and to liabilities (according to baseline rates and maturities);
- ▶ yield curve risk related to the setting risk: generated by yield curve changes (translation, rotation, etc.);
- ▶ base risks: related to the use of multiple baseline interest rates and causing risks due to the imperfect correlation of different reference rates;
- ▶ option-related risks (contractual or behavioural);
- ▶ risks caused by positions exposed to the real interest rate/inflation.

In this respect, the net interest margin variation is measured on the basis of several interest rate scenarios. The interest rate risk on the balance sheet is simulated with dynamic modelling, taking into account future variations of outstanding amounts (early repayments, new income, etc.) in accordance with behavioural models and the business plan.

Trading room bond portfolio transactions do not fall under overall interest rate risk as their risk is monitored and managed according to the individual threshold for each portfolio. These portfolios, specific to the trading room, are subject to market risk-related thresholds.

Assessing overall interest rate risk

Agreements and Models

The interest rate gap and interest rate sensitivity valuation methodologies are determined according to the type of assets (or liabilities) comprising the balance sheet:

- ▶ scheduled outstandings (contractual outflows adjusted or not with a model);
- ▶ non-scheduled outstandings (conventional outflow);
- ▶ off balance sheet (liquidity commitments and guarantees).

Transactions with no contractual maturity date (including customer deposits and livret accounts) are included in accordance with the outflow agreements approved by the ALM Committee and by the Group Risk Department through its Risk Management Rules Committee.

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

The interest rate gap

For a given currency, the nominal interest rate gap is calculated for fixed rate transactions and for variable rate and reviewable rate transactions, up to the next rate review or rate fixing date. The nominal interest rate gap does not take into account interest rate drops.

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

Table: Interest Rate Gap by maturity (€ million) at 31.12.2019

(Negative amount = Surplus positions at fixed rate)

Average spot gaps

(in € millions)

	0 to 1 year	1 to 5 years	5 to 10 years	> 10 years
Uses	(164,156)	(101,829)	(49,703)	(5,990)
Resources	159,871	109,209	53,736	3,546
Off-balance sheet	(954)	(2,875)	(2,410)	(468)
Rate gap 31.12.2019	(5,239)	4,505	1,623	(2,912)
Rate gap 31.12.2018	(5,700)	(994)	(6,009)	(3,896)
Adjustments	461	5,499	7,632	984

The marked increase in the fixed rate deconversion position over 2019 can mainly be explained by the longer duration of the liabilities on La Banque Postale's balance sheet (modification of the law on the runoff of demand deposits, fixed-rate issues not converted to variable rate in H2 due to the drop in rates, disposal of bond assets).

EVE (Economic Value of Equity) sensitivity

This corresponds to a negative change in value following an instantaneous shock of $\pm 2\%$, applied to the La Banque Postale's regulatory capital. Regulatory capital is calculated using static modelling, based on the contractual maturities of balance sheet items.

The valuation are based on the EBA's Guidelines. The EBA has published a new version of the methodology, applicable from H2 2019.

EVE sensitivity by level of parallel interest rate shock (€ millions) at 31.12.2019

	(200)	200
EVE sensitivity (in € millions) at 31.12.2018	(639)	(1,824)
EVE/Capital sensitivity at 31.12.2018	-5.52%	-15.75%
EVE sensitivity (in € millions) at 31.12.2019	(201)	(110)
EVE/Capital sensitivity at 31.12.2019	-1.62%	-0.88%

Several notable effects can explain the marked decrease in the sensitivity of the value of equity. The first is the sharp drop in interest rates observed over one year. The rates thus have neared the EBA floor rate lowering the sensitivity to a decrease. The second is the change in the method for calculating the runoff of demand deposits from 1 February 2019, increasing La Banque Postale's deconversion position. This lengthening of the duration of La Banque Postale's liabilities reduces the sensitivity to a rise in rates. The third effect is linked to the implementation of the EBA's new IRRBB guidelines at 30 June 2019, notably with the introduction of a rising floor rate in line with the EBA's new guidelines, and the introduction of a stochastic valuation model for options on the balance sheet. Other effects, such as the increase in prudential capital (+€887 million over one year) or the update of the model for early repayments and renegotiations, had an impact on the sensitivity of the equity value. Exposure to a shock of ± 200 basis points is now -1.62% of equity. It should be stressed that the regulatory limit is -20% for a shock of ± 200 basis points.

Net Interest Margin sensitivity (NIM)

Net interest margin sensitivity is defined as being 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 by taking into account the interest rate-dependent behavioural models, and

by maintaining levels of new income and deposits from commercial business, and retaining the assumptions related to financial transactions applicable in the baseline scenario.

Only the behavioural models show a reaction to the shock scenario. Their impacts on amounts outstanding modify the level of short-term financing.

List of different interest rate scenarios featuring instantaneous shock, in relation to the baseline curve:

- ▶ parallel +1% (translation +1);
- ▶ parallel -1% (translation -1);
- ▶ flattening: shock of +0.5% on all curves and on rates less than or equal to 1 year and of -0.5% on all curves and on rates greater than 5 years. Linear increase between 2 and 5 years;
- ▶ steepening: shock of -0.5% on all curves and on rates less than or equal to 1 year and of +0.5% on all curves and on rates greater than 5 years. Linear decrease between 2 and 5 years;
- ▶ rise in short-term rates: shock of + 1% on all curves and on rates below or equal to 1 year;
- ▶ drop in long-term rates: shock of -1% on all curves and on rates above or equal to 2 years.

It should be noted that a floor rate of -1% is applied to NIM calculations.

Net Interest Margin (NIM) sensitivity at 1 year/Scenario (€ million) at 31.12.2019

	31.12.2019	31.12.2018
Translation +1	109	128
Translation – 1	(98)	(118)
Steepening	(6)	22
Flattening	(10)	(18)
Rise in Short-Term Rates	136	48
Drop in Long-Term Rates	(24)	(94)

The least favourable scenario at 1 year for La Banque Postale is a shock of -100 basis points with a fall in NIM of €98 million amounting to forecast NIM of €2.1 billion, or 5%. This exposure to a drop in rates was reduced over 2019, as rates neared the floor rate of -1%.

4.5.1.3 Liquidity risk

Liquidity risk declaration and assessment systems

The liquidity risk declaration systems cover the entire prudential group. Some of the thresholds and indicators used in management refer to corporate units of the Group, notably La Banque Postale, the most important Group entity.

Adequacy of the systems in terms of liquidity risk management

Liquidity risk management is based on:

- ▶ a guidelines and limits system;
- ▶ a financing plan which assures the ex-ante equilibrium of the Bank's funding position;
- ▶ a buffer of high-quality unencumbered liquid securities (and its equivalent in central bank deposits).

The bodies of La Banque Postale (Supervisory Board) approved the entire liquidity assessment system and its adequacy (ILAAP) in April 2019.

La Banque Postale's overall liquidity risk profile

La Banque Postale has a strong liquidity position based on:

- ▶ an amount of client deposits greater than that of client loans. La Banque Postale has a significant and diversified deposit base (in excess of €180 billion) consisting primarily of deposits from a French retail clientèle;
- ▶ 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 starting in 2006. This portfolio contains high-quality liquid assets exclusively, in accordance with the provisions of Delegated Regulation (EU) no.2015/61, which enables it to raise its short-term liquidity ratio above 135% and to an average of about 150%;
- ▶ a forward-looking financing plan updated on a regular basis;
- ▶ proven access to capital market financing.

Since customer resources are, for the most part, non-maturing and payable at any time (deposits, livret accounts), their outflow is modelled to determine their profile over time. La Banque Postale has taken a conservative approach to its liquidity assessments and has adopted very conservative assumptions in relation to these outflows. Consequently, for the calculation of resources there are upper bounds for the volatility of outstanding amounts and lower bounds for their liquidity duration.

Liquidity risk management

The ALM Committee is responsible for liquidity risk management, in compliance with the principals and limits approved by the Group Risk Management Committee. This responsibility is partially delegated to the Balance Sheet Operational Management Committee and to the trading room's cash management and long-term financing units for tactical liquidity risk related to La Banque Postale's cash management.

Operationally, La Banque Postale has implemented an internal liquidity assessment system (Internal Liquidity Adequacy Assessment Process), which combines all of its liquidity limit, assessment, monitoring, reporting and management systems. The systems include:

- ▶ a guidelines and limits system;
- ▶ a financing plan which assures the ex ante equilibrium of La Banque Postale's funding position in La Banque Postale's budget planning universe;
- ▶ the maintenance and monitoring of a buffer of high-quality, unencumbered liquid securities and amounts entrusted to the central bank's deposit facility;
- ▶ the Emergency Funding Plan (EFP), which is primarily intended to (see below):
 - define alert thresholds to enable early detection of liquidity stress, regardless if is idiosyncratic (specific to La Banque Postale) or systemic,
 - identify all of the capacities available to generate liquidity (liquidity reserves and financing capacity),
 - mobilise governance to manage potential crises with the speed required;
- ▶ measure La Banque Postale's room for manoeuvre via a stress test system in the context of historically high stress on the Bank's liquidity.

The liquidity risk prudential declaration systems cover the entire prudential consolidation scope. Some Group entities are also subject at the individual level.

Liquidity risk measurement

Short-term monitoring of liquidity

This system is based on:

- ▶ regulatory liquidity ratios and reporting;
- ▶ the short-term liquidity ratio (LCR – Liquidity Coverage Ratio);
- ▶ the Net Stable Funding Ratio (NSFR).

The LCR is a monthly short-term liquidity ratio which measures La Banque Postale's capacity to withstand a severe worsening of its financial situation, for up to 30 days, in a systemic shock environment.

The target LCR must be in excess of the 100% limit complied with by La Banque Postale whose LCR reached 153% at the end of December 2019.

This ratio is calculated by dividing the sum of unencumbered, high-quality liquid assets by the liquidity need in a stress environment over a 30-day horizon.

EBA LCR summary at 31.12.2019

Item	12.2019	12.2018	12.2017
Buffer of liquid assets	30,720	24,555	25,138
Cash outflows	(26,820)	(23,972)	(23,645)
Cash inflows	6,714	7,070	7,677
Net cash outflows	(20,106)	(16,902)	(15,967)
Shortfall	10,614	7,653	9,171
LCR	152.8%	145.3%	157.4%
Ratio inflows/outflows	25.0%	29.5%	32.5%

The LCR is also one of the constraints to be observed when forecasting dynamic liquidity.

An LCR proxy is calculated daily.

The concentration, cost and structure of refinancing, and the concentration of the asset buffer are reassessed on a regular basis and regulatory reports (ALMM) are prepared for LCR publication.

Quantitative information on the hedging ratio of liquidity requirements

Scope of consolidation (individual/consolidated)									
Currency and units (in € millions)		Total non-weighted value (average)				Total weighted value (average)			
Quarter ending on (31 December 2017)		31.03.2019	30.06.2019	30.09.2019	31.12.2019	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Number of data points used to calculate		-	-	-	-	-	-	-	-
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					27,930	29,858	30,029	30,720
CASH OUTFLOWS									
2	Retail deposits and deposits of small customer companies, of which:	173,107	174,255	175,287	175,127	10,997	11,072	11,148	11,153
3	Stable deposits	128,653	129,508	130,125	129,738	6,433	6,475	6,506	6,487
4	Less stable deposits	44,454	44,747	45,162	45,390	4,564	4,597	4,642	4,667
5	Unsecured wholesale financing	14,496	13,439	14,442	14,630	8,763	7,915	8,465	8,946
6	Operational deposits (all counterparties) and deposits in cooperative bank networks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	12,186	11,599	12,490	11,266	6,453	6,075	6,514	5,582
8	Unsecured receivables	2,310	1,840	1,951	3,364	2,310	1,840	1,951	3,364
9	Secured wholesale financing					23	612	92	325
10	Additional requirements	11,456	13,665	13,738	15,189	2,073	2,279	2,302	2,725
11	Outflows associated with exposures to derivative instruments and other collateral requirements	800	807	792	1,026	800	807	792	1,026
12	Outflows associated with financing losses on debt products	-	-	-	-	-	-	-	-
13	Credit and cash facilities	10,657	12,859	12,946	14,163	1,274	1,472	1,510	1,699
14	Other contractual required funding	3,423	2,628	3,012	1,738	3,423	2,628	3,012	1,738
15	Other potential required funding	8,381	8,409	8,417	8,410	1,844	1,896	1,923	1,933
16	TOTAL CASH OUTFLOWS					27,123	26,401	26,942	26,820
CASH INFLOWS									
17	Secured loan transactions (e.g. reverse repurchase transactions)	1,864	2,799	5,619	5,914	242	570	100	53
18	Inflows from fully performing exposures	1,229	1,388	1,210	1,510	751	781	692	844
19	Other cash inflows	73,331	71,041	71,859	67,511	8,978	6,487	6,987	5,817
EU-19a	(Difference between total weighted cash inflows and total weighted cash outflows resulting from transactions in third countries in which there are restrictions on transfers, or denominated in non-convertible currency)					-	-	-	-
EU-19b	(Excess of cash inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	76,424	75,228	78,688	74,935	9,971	7,837	7,779	6,714
EU-20a	Fully exempt cash inflows	-	-	-	-	-	-	-	-
EU-20b	Cash inflows subject to a 90% ceiling	-	-	-	-	-	-	-	-
EU-20c	Cash inflows subject to a 75% ceiling	76,424	75,228	78,688	74,935	9,971	7,837	7,779	6,714
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					27,930	29,858	30,029	30,720
22	TOTAL NET CASH OUTFLOWS					17,153	18,564	19,163	20,106
23	LIQUIDITY REQUIREMENT COVERAGE RATIO (%)					162.8%	160.8%	156.7%	152.8%

Quantitative information on the hedging ratio of liquidity requirements

Scope of consolidation (individual/consolidated)

Currency and units (€ millions)		Total non-weighted value (average)				Total weighted value (average)			
Quarter ending on (31 December 2017)		31.03.2018	30.06.2018	30.09.2018	31.12.2018	31.03.2018	30.06.2018	30.09.2018	31.12.2018
Number of data points used to calculate		-	-	-	-	-	-	-	-
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					23,347	24,287	24,299	24,555
CASH OUTFLOWS									
2	Retail deposits and deposits of small customer companies, of which:	168,418	170,043	171,448	171,184	10,768	10,811	10,884	10,870
3	Stable deposits	125,647	126,188	127,599	127,293	6,282	6,309	6,380	6,365
4	Less stable deposits	42,771	43,855	43,849	43,891	4,486	4,502	4,504	4,505
5	Unsecured wholesale financing	7,604	8,111	8,725	12,406	4,083	4,236	4,522	7,829
6	Operational deposits (all counterparties) and deposits in cooperative bank networks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	7,604	8,111	8,725	9,830	4,083	4,236	4,522	5,253
8	Unsecured receivables	-	-	-	2,576	-	-	-	2,576
9	Secured wholesale financing					104	106	158	119
10	Additional requirements	9,440	10,312	11,133	11,292	1,714	1,589	1,783	1,716
11	Outflows associated with exposures to derivative instruments and other collateral requirements	694	595	589	515	694	595	589	515
12	Outflows associated with financing losses on debt products	-	-	-	-	-	-	-	-
13	Credit and cash facilities	8,746	9,717	10,544	10,777	1,019	994	1,194	1,201
14	Other contractual required funding	4,055	4,330	2,971	1,606	4,015	4,283	2,930	1,606
15	Other potential required funding	8,506	8,563	8,510	8,417	1,776	1,820	1,808	1,832
16	TOTAL CASH OUTFLOWS					22,461	22,846	22,084	23,972
CASH INFLOWS									
17	Secured loan transactions (e.g. reverse repurchase transactions)	248	65	8	567	248	62	6	346
18	Inflows from fully performing exposures	989	1,304	1,119	1,241	553	712	619	714
19	Other cash inflows	72,153	69,873	71,217	69,550	8,730	6,161	7,376	6,010
EU-19a	(Difference between total weighted cash inflows and total weighted cash outflows resulting from transactions in third countries in which there are restrictions on transfers, or denominated in non-convertible currency)					-	-	-	-
EU-19b	(Excess of cash inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	73,390	71,242	72,344	71,359	9,531	6,934	8,001	7,070
EU-20a	Fully exempt cash inflows	-	-	-	-	-	-	-	-
EU-20b	Cash inflows subject to a 90% ceiling	-	-	-	-	-	-	-	-
EU-20c	Cash inflows subject to a 75% ceiling	73,390	71,242	72,344	71,359	9,531	6,934	8,001	7,070
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					23,347	24,287	24,299	24,555
22	TOTAL NET CASH OUTFLOWS					12,930	15,911	14,083	16,902
23	LIQUIDITY REQUIREMENT COVERAGE RATIO (%)					180.6%	152.6%	172.5%	145.3%

Quantitative information on the hedging ratio of liquidity requirements

Scope of consolidation (individual/consolidated)

Currency and units (€ millions)		Total non-weighted value (average)				Total weighted value (average)			
Quarter ending on (31 December 2017)		31.03.2017	30.06.2017	30.09.2017	31.12.2017	31.03.2017	30.06.2017	30.09.2017	31.12.2017
Number of data points used to calculate		-	-	-	-	-	-	-	-
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					25,879	22,684	25,790	25,138
CASH OUTFLOWS									
2	Retail deposits and deposits of small customer companies, of which:	164,816	166,571	168,566	167,633	10,571	10,702	10,790	10,707
3	Stable deposits	122,972	124,383	125,967	125,239	6,149	6,219	6,298	6,262
4	Less stable deposits	41,844	42,187	42,599	42,394	4,422	4,483	4,491	4,445
5	Unsecured wholesale financing	9,364	9,857	8,534	7,484	3,516	3,475	4,792	3,891
6	Operational deposits (all counterparties) and deposits in cooperative bank networks	1,781	1,670	-	-	445	417	-	-
7	Non-operational deposits (all counterparties)	7,582	8,187	8,534	7,484	3,070	3,058	4,792	3,891
8	Unsecured receivables	-	-	-	-	-	-	-	-
9	Secured wholesale financing					649	509	455	336
10	Additional requirements	9,554	8,965	9,092	10,654	2,341	2,024	1,711	1,864
11	Outflows associated with exposures to derivative instruments and other collateral requirements	1,384	1,022	686	683	1,384	1,022	686	683
12	Outflows associated with financing losses on debt products	-	-	-	-	-	-	-	-
13	Credit and cash facilities	8,170	7,943	8,406	9,970	957	1,002	1,025	1,180
14	Other contractual required funding	3,849	2,821	2,974	5,160	3,806	2,410	2,840	5,093
15	Other potential required funding	8,214	8,368	8,609	8,603	1,219	1,432	1,703	1,753
16	TOTAL CASH OUTFLOWS					22,101	20,551	22,290	23,645
CASH INFLOWS									
17	Secured loan transactions (e.g. reverse repurchase transactions)	651	385	75	453	295	352	23	452
18	Inflows from fully performing exposures	839	903	969	1,060	481	507	539	588
19	Other cash inflows	72,979	72,559	73,054	72,304	7,070	6,680	7,065	6,637
EU-19a	(Difference between total weighted cash inflows and total weighted cash outflows resulting from transactions in third countries in which there are restrictions on transfers, or denominated in non-convertible currency)					-	-	-	-
EU-19b	(Excess of cash inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	74,468	73,847	74,098	73,817	7,846	7,539	7,627	7,677
EU-20a	Fully exempt cash inflows	-	-	-	-	-	-	-	-
EU-20b	Cash inflows subject to a 90% ceiling	-	-	-	-	-	-	-	-
EU-20c	Cash inflows subject to a 75% ceiling	74,468	73,847	74,098	73,817	7,846	7,539	7,627	7,677
TOTAL ADJUSTED VALUE									
21	LIQUIDITY BUFFER					25,879	22,684	25,790	25,138
22	TOTAL NET CASH OUTFLOWS					14,256	13,012	14,664	15,967
23	LIQUIDITY REQUIREMENT COVERAGE RATIO (%)					181.5%	174.3%	175.9%	157.4%

The NSFR corresponds to the amount of available stable funding in relation to required stable funding. This ratio should, at all times, be at least 100%. “Available Stable Funding” refers to the portion of resources that are not payable within the relevant time frame, in this case, 1 year within the context of the NSFR. The amount of “Required Stable Funding” of a business depends on its liquidity features and the residual maturity of assets (and off-balance sheet positions) held.

To date, and as part of the regulatory liquidity exercises carried out for the ECB, the NSFR liquidity ratio is above 100%.

Long-term liquidity monitoring

The procedure consists of:

- ▶ a financing plan, to ensure that the provisional budget path is combined with liquidity projections;
- ▶ in the framework of the execution of the financing plan, the provisional LCR is assessed, and the bank ensures an adequate level over the long term;
- ▶ several LCR ratio stress scenarios created as part of the ILAAP;
- ▶ the concentration, the cost and structure of refinancing, the concentration of the asset buffer, are assessed on a regular basis and are subject to regulatory reporting (ALMM) along with the publication of the LCR;
- ▶ biannual market access tests to verify market access in different currencies;

Long-term liquidity gap (€ million) at 31.12.2019

Average spot gaps (in € millions)

(in € millions)

	1 year	3 years	5 years
Uses	(181,123)	(127,310)	(93,975)
Resources	195,233	149,681	125,587
Off-balance sheet	(3,869)	(2,734)	(1,555)
Liquidity gap 31.12.2019	10,241	19,637	17,057
Liquidity gap 31.12.2018	6,000	11,615	6,682
Adjustments	4,241	8,022	10,375

The gap (excess resources) increased in 2019, mainly reflecting the effect of the change in the rules for the runoff of demand deposits at 1 February 2019 (+9 billion in liquidity at 5 years).

“Dynamic” liquidity assessments involve the application of assumptions on La Banque Postale’s income and on refinancing its budget and its medium/long-term business plan. These assumptions enable the calculation of a “balance sheet forecast”, a financing plan, a future estimated LCR and a static gap forecast.

Emergency Funding Plan (EFP)

The Emergency Funding Plan is to be monitored by the governance bodies in charge of financial management (the ALM Committee, the Capital Operational Management Committee and the Group Risk Management Committee) and put into operation by the Corporate and Investment Bank.

The Emergency Funding Plan (EFP) is part of the internal liquidity assessment procedures which La Banque Postale reports annually. The Emergency Funding Plan sets out the leading indicators selected to judge the robustness of the markets (financial or banking) to which the liquidity of La Banque Postale is exposed. These indicators can be broken down into two major groups:

- ▶ systemic indicators;
- ▶ idiosyncratic indicators.

- ▶ an assessment of the liquidity gap, described below.

La Banque Postale assesses its long-term liquidity level according to a liquidity gap. The liquidity gap includes forecast static gaps by maturity and limits defined at 1-, 3- and 5-year horizons. The assumptions used correspond to a stressed approach, resulting from a conservative view of the Group’s liquidity position.

The liquidity gap assessment methodologies are determined according to the type of asset (or liability) on the balance sheet:

- ▶ outstandings with a contractual maturity (contractual outflows adjusted or not with a model);
- ▶ outstandings with no contractual maturity (conventional outflows);
- ▶ the liquidity profile of the disposable assets;
- ▶ off balance sheet (liquidity commitments and guarantees).

Transactions with no contractual maturity date (including customer deposits and livret accounts) are included in accordance with the outflow agreements approved by the ALM Committee and by the Group Risk Department.

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

The transferability of certain transactions may be taken into account, if required.

Each indicator is allocated a threshold level (comfort, vigilance or warning).

The Emergency Funding Plan also makes provision for a mechanism to be implemented in the event of a proven crisis, be it systemic or idiosyncratic. This mechanism appears mainly in the form of an inventory of the various funding (or liquidity) sources accessible by La Banque Postale, depending on the amounts involved and the speed of implementation. The Emergency Funding Plan also makes provision for specific governance through committees which will monitor the leading indicators. The purpose of this governance is to reassure La Banque Postale’s management of the heightened surveillance of the liquidity risk. The indicators (during normal periods) are presented at meetings of the Capital Operational Management Committee and periodically to the CPRG. The indicators selected, and the proposed action measures, are tested on the markets so that their suitability and the market liquidity can be fully appreciated.

The funding test consists of testing the market by issuing short-term debt. The aim of this type of test is to regularly check on La Banque Postale’s ability to quickly obtain funds in the markets to ensure that its estimated borrowing capacity remains valid. It is envisaged that this type of test will be carried out at least twice a year.

La Banque Postale has twice successfully tested its ability to finance itself.

Liquidity Reserve

Definition

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 cope with a liquidity crisis.

The Liquidity Reserve is composed of:

- ▶ cash placed with the central bank (excluding the average compulsory reserves calculated over the creation period);
- ▶ the securities in the HQLA (High Quality Liquid Assets) cushion consisting primarily of government securities, covered bonds

and corporate securities meeting the prudential liquidity criteria defined by the regulations for the LCR calculation (Liquidity Coverage Ratio) for which the valuation of securities includes a discount in line with prudential regulations;

- ▶ other securities available from the ECB (primarily bank securities) including the ECB discount.

Premium quality secured home loans that can be mobilised by the Group's home loans company through the issue of a covered bond. This also represents a significant source of liquidity (potentially around €10.3 billion of collateral at 31 December 2019, in addition to the other sources of funding usually used by La Banque Postale).

Composition of the liquidity reserve in securities at 31.12.2019 (in € millions)

Liquidity reserve (in € millions)

(in € millions)	12.2019
Cash and Central Bank	20,728
Unencumbered HQLA securities	9,995
Other ECB eligible securities	7,448
TOTAL LIQUIDITY RESERVE	38,171

Capacity to access external financing

In addition to the prudent liquidity management system implemented by the ALM Committee and Risk Committee, La Banque Postale has diverse sources of financing:

- ▶ a €20 billion Neu-CP programme (Negotiable European Commercial Paper) and a €10 billion ECP (European Commercial Paper) programme, the aim being to refinance a portion of La Banque Postale's short-term financing requirements and to satisfy demand from institutional customers;
- ▶ a €2 billion Neu-EMTN programme, the aim being to refinance a portion of La Banque Postale's short-term financing requirements and to satisfy demand from institutional customers;
- ▶ a €10 billion retail EMTN programme enabling the issue of senior (vanilla and structured), non-preferred senior and Tier 2 debt;
- ▶ a programme of €20 billion in EMTNs for the issue of Obligations de Financement de l'Habitat (OFH) via its secure financing

vehicle LBP Home Loan SFH, a subsidiary of La Banque Postale SA, created in 2013;

- ▶ access to refinancing by the EIB under La Banque Postale's commitment for eligible envelopes;
- ▶ a portfolio of HQLA (High Quality Liquid Asset) securities, consisting mainly of rapidly accessible, high-quality government bonds, which constitutes a stable source of eligible assets enabling access to ECB refinancing operations or to the securities repo market;
- ▶ access to the Brokertec repo platform;
- ▶ access to the interbank market.

La Banque Postale also has access to a secured financing vehicle via the Caisse de Financement Local (CAFFIL), with which it regularly carries out disposals of originated loans for the Local Public Sector.

In addition, La Banque Postale participated, for the first time since their launch by the ECB, in a longer-term targeted refinancing operation (TLTRO III) in December, underlining its contribution to the stimulus of lending to individuals (excluding home loans) and non-financial companies.

4.5.1.4 Encumbered/Unencumbered Assets

Encumbered/unencumbered assets

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of non encumbered assets		Fair value of unencumbered assets	
		of which eligible central bank		of which eligible central bank		of which eligible central bank		of which eligible central bank
(in € thousands)								
Assets of the institution	104,802,186	22,585,624	-	-	156,947,132	19,427,490	-	-
Loans payable on demand	-	-	-	-	3,157,815	-	-	-
Equity instruments	78,179	-	-	-	259,030	-	259,030	-
Debt securities	22,769,631	22,585,624	23,670,287	23,485,635	29,009,060	19,427,490	30,480,912	20,779,334
<i>of which covered bonds</i>	1,538,937	1,538,937	1,638,981	1,638,981	3,399,342	3,283,318	3,415,023	3,298,999
<i>of which asset-backed securities</i>	-	-	-	-	38,567	-	38,567	-
<i>of which public administration</i>	20,891,201	20,885,452	21,155,390	21,149,641	10,509,404	9,541,207	11,952,192	11,462,505
<i>of which financial institutions</i>	1,848,719	1,670,461	2,295,023	2,121,212	16,174,115	9,580,162	17,132,104	9,365,815
<i>of which non-financial companies</i>	30,464	30,464	30,464	30,464	2,022,180	584,916	2,040,422	584,916
Loans and advances other than loans on demand	81,601,810	-	-	-	109,064,800	-	-	-
<i>of which mortgage loans</i>	13,191,319	-	-	-	10,112,013	-	-	-
Other assets	901,717	-	-	-	11,859,080	-	-	-

Unencumbered collateral					
	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance		Nominal value of collateral received or own debt securities issued which cannot be committed
		of which eligible central bank		of which eligible central bank	
(in € thousands)					
Collateral received by the institution	1,234,430	1,234,430	5,829,690	5,829,690	63,936,674
Loans payable on demand	-	-	-	-	-
Equity instruments	-	-	-	-	-
Debt securities	1,234,430	1,234,430	5,829,690	5,829,690	-
<i>of which covered bonds</i>	-	-	1,203,614	1,203,614	-
<i>of which asset-backed securities</i>	-	-	15,535	-	-
<i>of which public administration</i>	1,234,430	1,234,430	4,624,949	4,624,949	-
<i>of which financial institutions</i>	-	-	1,204,741	1,204,151	-
<i>of which non-financial companies</i>	-	-	-	-	-
Loans and advances other than loans on demand	-	-	-	-	-
Other collateral received	-	-	-	-	63,936,674
Own debt securities issued other than own covered bonds or ABSs	-	-	-	-	-
Total assets and/or collateral received and own debt securities issued	105,934,103	23,854,604	-	-	-

(in € thousands)	Backed liabilities, potential liabilities or securities which have been loaned	Assets and/or collateral received and own debt securities issued other than covered bonds and encumbered ABSs
Carrying amount of selected financial liabilities	109,940,925	105,570,496
Derivatives	1,507,963	444,494
of which OTC	1,780,892	438,691
Deposits	100,729,375	92,322,780
Repo agreements	23,366,124	23,837,111
<i>of which central bank</i>	-	-
Collateral deposits other than repo agreements	77,363,251	68,485,679
of which central bank	-	-
Debt securities	7,827,680	13,177,132
<i>of which covered bonds</i>	7,827,680	13,177,132
<i>of which asset-backed securities</i>	-	-
Other encumbered assets	488,421	904,358
Par value of loan commitments received	488,421	904,358
Financial collateral received	-	-
Fair value of securities issued with non-financial collateral	-	-
Other	-	-
TOTAL ENCUMBERED ITEMS	110,283,314	105,934,103

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 in order to hedge bond issues made by the Group's home finance company (La Banque Postale Home Loan SFH) in favour of holders;
- ▶ margin calls on securities and derivatives;
- ▶ collateral deposits.

The median ratio of encumbered assets was 42% at 31 December 2018.

4.5.1.5 Global exchange rate risk

Exchange rate risk, particularly that related to international mandates and financial activities, remains very moderate despite the start of dollar-denominated financing business by the Corporate and Regional Development Department.

In fact, the balance sheet of La Banque Postale is managed almost exclusively in euros. The foreign currency market activities of the cash management unit and those related to portfolios are systematically hedged and converted into euros beyond a given exchange rate position threshold.

The residual exchange rate risk related to income earned from those activities is managed by converting that income at least once every six months or, alternatively, when it reaches the established threshold.

The foreign currency activity of the retail bank, which mainly concerns international mandates, is relatively small in volume.

At 31 December 2019, the exchange rate position of La Banque Postale amounted to €82 million, of which more than 86% was dollar-denominated.

4.5.2 Market risks

4.5.2.1 Organisation and governance

Financial Risk Department (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 on the balance sheet or commitments held by La Banque Postale.

Within the Group Risk Department, it is the responsibility of the Financial Risk Department (DRF) and, in particular, the Market Risk unit, to manage market risk.

To ensure comprehensive monitoring of market risks, the monitoring scope of the Market Risk unit extends to encompass all fair value transactions.

As such, the Financial Risk Department, under the responsibility of the Group Risk Department, reports to the Group Risk Management Committee for the creation and implementation of procedures for managing and monitoring financial risks. It also reports to the Group Risk Management Committee monthly on market risks and informs it of its main activities.

The global market limits, as defined in the Risk Appetite Statement and the associated Risk Appetite Dashboard are approved by the Supervisory Board. Group Risk Management Policy market limits are approved by the Executive Board in the Group Risk Management Committee (CPRG) meetings. Risk Management Rules operational limits are approved in the Risk Management Rules Committee meetings.

The Risk and Results unit

This La Banque Postale unit is responsible for independent valuation of market transactions, aggregate risk assessment and Level 1 control.

The unit is responsible for implementing the valuation and risk calculation architecture. It carries out daily assessments of risks and results. A primary mission of this Department is to ensure that market conditions enable the correct valuation of transactions.

Daily risk calculations are carried out. The risk factors defined (within the main asset classes: rates, credit spread, exchange and equity indexes) hedge and assess the risk of a spread between transactions and their hedges.

The consistent tracking of significant day-one profits (calculated by the Middle Office) is another indicator of the quality of the results and risks processes.

Models and Methodology unit

This La Banque Postale unit is responsible for validating and documenting the valuation methods used for the financial instruments sold by BFI.

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 present 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;
- ▶ in the asset management subsidiaries:
 - La Banque Postale Asset Management;
- ▶ in the banking subsidiaries:
 - BPE,
 - SOFIAP.

The Market Risk unit of the Financial Risk Department is responsible for monitoring the Bank's market risk and for consolidated supervision at Group level.

4.5.2.3 Missions of the Financial Risk Department

Within the Financial Risk Department, the tasks assigned to the Market Risk unit are organised along four main lines:

Thresholds and authorisations

Loss risks are delimited by commitment or exposure thresholds and by the establishment of a list of authorised financial products. Therefore, the Financial Risk Department is responsible for:

- ▶ advising on requests for overall and operational thresholds;
- ▶ advising on requests for new financial products or investments;
- ▶ monitoring compliance with thresholds;
- ▶ reporting and managing any overruns, specifically through the systematic dispatch of overrun notification sheets.

Valuation

The official valuation of market transactions is managed by the Valuation and Performance Analysis unit, reporting to the

Corporate and Investment Bank (CIB). One potential source of losses is the possibility of incorrect valuation of the price of portfolio assets. The Financial Risk Department therefore strives to ensure that the value of these assets represents fair market value with the least possible degree of uncertainty. To that end, the Financial Risk Department:

- ▶ checks and approves the valuation methods in conjunction with the Model Approval unit;
- ▶ approves the valuation parameters;
- ▶ 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 Financial Risk Department must be in a position to provide an accurate account of the risks to which the La Banque Postale is exposed. Consequently, the Financial Risk Department is responsible for:

- ▶ identifying risk factors according to the products and strategies implemented;
- ▶ establishing risk measurement methodologies and retrospectively verifying their effectiveness (Backtesting);
- ▶ controlling the positions taken by the Group in order to ensure that they fall within the established thresholds.

Process controls

The Market Risk unit of the Financial Risk Department draws up a control plan to ensure the successful execution of its work and the quality of data produced.

4.5.2.4 Market risk measurement and control

Risk measurement and control

In order to manage risk-taking, the Financial Risk Department must be in a position to provide an accurate account of the risks to which the La Banque Postale is exposed. Consequently, the Financial Risk Department is responsible for:

- ▶ identifying risk factors according to the products and strategies implemented;
- ▶ establishing risk measurement methodologies and retrospectively verifying their effectiveness (Backtesting);
- ▶ controlling the positions taken by the Group in order to ensure that they fall within the established thresholds.

4.5.2.5 Market risk indicators

Sensitivities

Sensitivities enable measurement of the exposure of La Banque Postale's portfolio to changing risk factors. The Financial Risk Department approves the sensitivity calculation methodology and ensures that all risk factors identified as relevant and substantial are taken into account.

Value at Risk (VaR)

VaR is an indicator of the risk of loss to which La Banque Postale is exposed. It gives an estimate of maximum potential losses over a given horizon within a given probability. However, this indicator

does not provide any signals with regard to the level 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 by each of the activities included in the market portfolio.

As a precautionary measure, 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 includes risk factors such as interest rate, spread, exchange rate and volatility risk, and the risk of movements in the stock market indices to which the Bank is exposed. In terms of risk factors, the main approximation concerns “specific interest rate risk”: the credit spread risk (to which bonds are sensitive) is taken into account by a sector-rating approach which only captures a portion of this type of risk.

This matrix is calculated using a scaling factor designed to give a higher weighting to recent movements than to older ones.

La Banque Postale’s implementation therefore does not cover second-degree (convex) risks, which are actually rare in its accounts.

The resulting VaR partly covers option-related risks, although second-degree risks are not taken into account. Although they are not currently significant, building option positions could lead the Group Risk Department to adopt a more appropriate methodology.

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

The VaR estimate, calculated on the assumption that it follows a normal distribution, is carried out under normal market conditions and does not provide any information on the amount of the potential loss when the VaR is overrun. The ability to estimate potential losses under unusual market conditions (terror attack, collapse of a major group, etc.), is therefore a necessity and is why stress scenarios are implemented.

A stress scenario involves simulating an extreme situation in order to evaluate the financial impact on La Banque Postale’s profits or equity. The use of these scenarios is an analytical and management tool providing a better grasp of market risk.

La Banque Postale seeks to deal in all markets (UCITS, currencies, rates, loans and derivatives). However, at the present time, the bank deals mainly in interest rate products, loans and UCITS. This is why the crisis scenarios planned mainly concern exchange rates, interest rates, credit spreads and UCITS, according to their asset class.

There are two major stress groups under consideration, pursuant to the relevant regulations. We distinguish between “objective” and “subjective” methods:

- ▶ objective methods 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;
- ▶ the second category of scenarios applies plausible variations which, although they have never occurred, would jeopardise the

bank if they did. These shocks are calibrated with assumptions based on historic statistics drawn from market data.

A historic stress scenario is set off by a violent event affecting a combination of factors. With the aim of planning for the worst, the horizons selected are those corresponding to the first stage of the crisis’ spread up to the first indication of price stabilisation, given that several trading days are needed to close out the most risky positions.

Historical scenarios reconstruct the following 12 financial crises:

- ▶ stock exchange crash, 19 October 1987;
- ▶ withdrawal of sterling from the European Monetary System, 20 September 1992;
- ▶ bond market crash 1994-1995;
- ▶ Russia, 17 August 1998;
- ▶ LTCM, 23 September 1998;
- ▶ WTC terror attacks, 11 September 2001;
- ▶ Enron, 31 October 2001;
- ▶ Lehman collapse, 15 September 2008;
- ▶ Greek crisis, 2010;
- ▶ US debt crisis, 2011;
- ▶ European sovereign debt crisis, 2011;
- ▶ Brexit, 2016.

A stress test is applied to a given category of market risk. La Banque Postale carries out stress testing on the following risks:

- ▶ general rate risk: various changes, such as steepening or flattening or widening of rate spreads, are applied to the Euribor/Libor interbank rate curves;
- ▶ specific rate risk: stress testing is based on the application of different shocks to the credit spread curves of corporate, financial and sovereign debt issuers;
- ▶ equities risk (UCITS): various shocks are also applied to UCITS according to their asset class.

4.5.2.6 Market risk thresholds

Organisation

Market portfolio risks are managed *via* limits set by the Supervisory Board’s Risk Committee in the Risk Appetite Statement and the associated Risk Appetite Dashboard. These operational limits, implemented by activity in the Risk Management Policy, are approved by the Executive Board at Group Risk Management Committee meetings.

The thresholds are applied operationally through a more detailed set of limits, while the Risk Department ensures, when they are determined, that they are consistent with the VaR thresholds approved by the Group Risk Management Committee. The implementation of these thresholds and monitoring of compliance with them by market operators, are the subject of regular reports given at meetings of the Group Risk Management Committee and the Risk Committee.

The application of thresholds addresses the organisation of La Banque Postale’s financial activities. Thus, thresholds are defined by trading room activity, and take into account the aim of transaction management and the impact of transactions on La Banque Postale’s profits and equity.

Risk metrics

The thresholds are applied to the relevant risk measures to delimit the potential impact of adverse changes in the markets on La Banque Postale's profits and on its equity. The objective is also to ensure that each activity remains within the specified management framework and only concerns market instruments that La Banque Postale's internal systems are operationally capable of managing.

Review of thresholds

The thresholds are subject to annual review in conjunction with the Front Office. It is important to ensure that the allocated thresholds remain consistent with changes in the financial markets and La Banque Postale's activities.

The thresholds may also be reviewed at other times, at the request of the Front Office or at the discretion of the Financial Risk Department.

Exceeding the threshold

The threshold limits exceeded are managed via an alert procedure defined in the standard on the management of exceeded limits approved by the Risk Management Rules Committee of the Group Risk Department.

Taking the background of the case into consideration, the Financial Risk Department evaluates the suitability of the corrective actions envisaged and may, if necessary and with the agreement with the Head of Group Risk, authorise a threshold overrun for a limited period if it cannot be quickly corrected due to operational reasons or the market environment.

Threshold overruns and temporary overrun authorisations are reported each month to the Group Risk Management Committee and must be logged in an overrun notification sheet approved by the Head of Group Risk.

4.5.2.7 Financial instruments and currencies authorised for trading

The Financial Risk Department draws up a list of authorised products, approved by the Group Risk Management Committee. All new instruments appearing on that list must first be approved by the New Market Instruments Committee.

The Executive Board draws up a list of currencies authorised for trading. The Financial Risk Department ensures that this list is complied with and that there is sufficient operational capacity to manage these currencies, particularly in terms of risk calculation.

The transactions carried out in the market risk scope are based on very traditional instruments, which are among the most current ones in the financial markets:

- ▶ bonds;
- ▶ rate derivatives (all vanilla);
- ▶ collective investment schemes;
- ▶ CDS hedges;
- ▶ structured EMTNs;
- ▶ transactions on listed markets (essentially rate/sovereign bond futures).

The main changes in 2019 involved the ABS/RMBS authorisation.

4.5.2.8 Exposure to risk

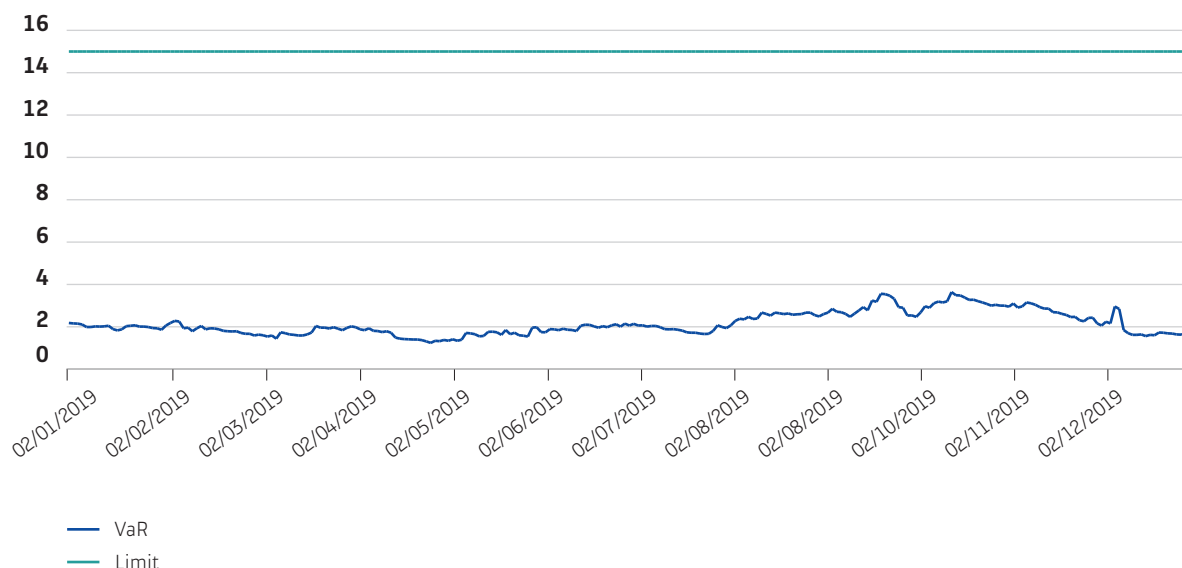
La Banque Postale is exposed to market risks due to its cash management activities, its excess liquidity management (portfolio of assets available for sale and hedging transactions) and through transactions undertaken on behalf of customers.

The market portfolio, which combines all transactions exposed to market risks, includes not only the trading portfolio, defined in Articles 102 to 104 of Regulation (EU) no. 575/2013 of the European Parliament and the Council dated 26 June 2013 pertaining to capital requirements for credit establishments and investment firms, but also banking portfolio transactions, including available-for-sale securities and certain lending and borrowing transactions.

In terms of market risk management, La Banque Postale is first and foremost exposed to interest rate risk, credit spread risk and equities market risk. Exchange-rate risk, particularly connected with international mandates and financial activities, and volatility risks are moderate.

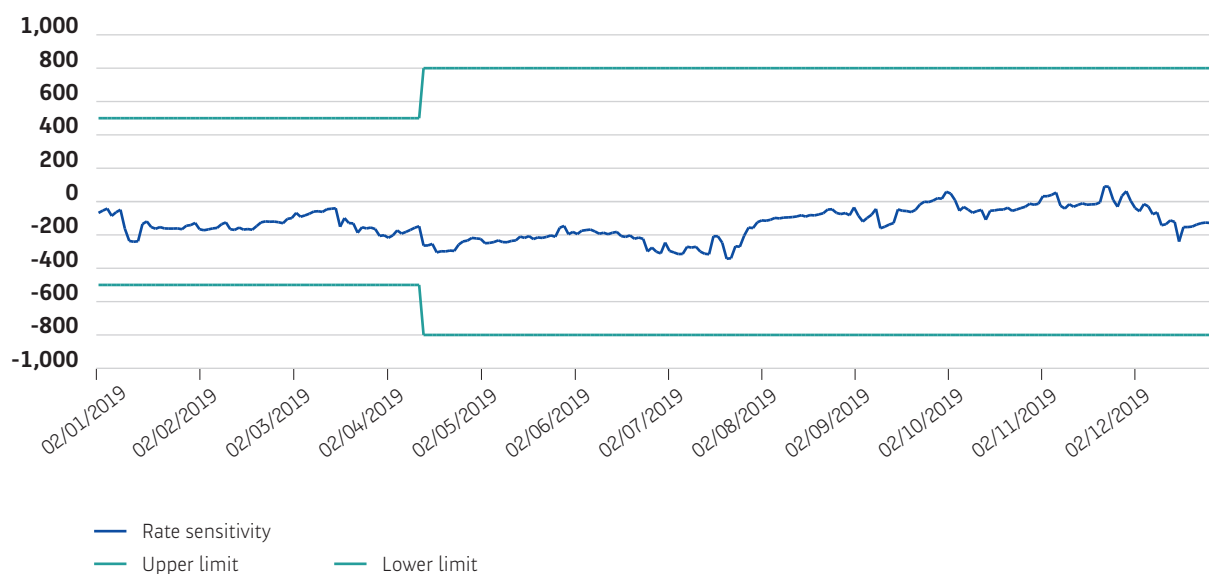
4.5.2.9 Change in the main risk indicators for the trading room and threshold monitoring on the Fair Value through Profit or Loss scope in 2019

VALUE AT RISK OF THE TRADING ROOM (€ MILLION)

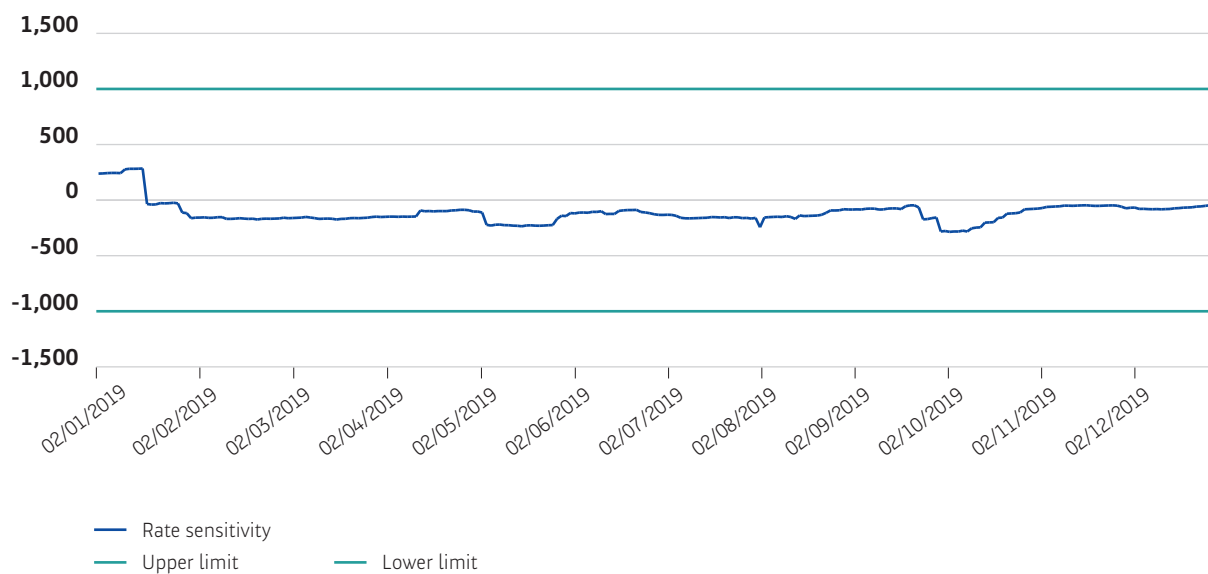


The VaR of the Fair value through Profit or Loss portfolios remained well below its limit, with a variation between €2m and €5m over the year.

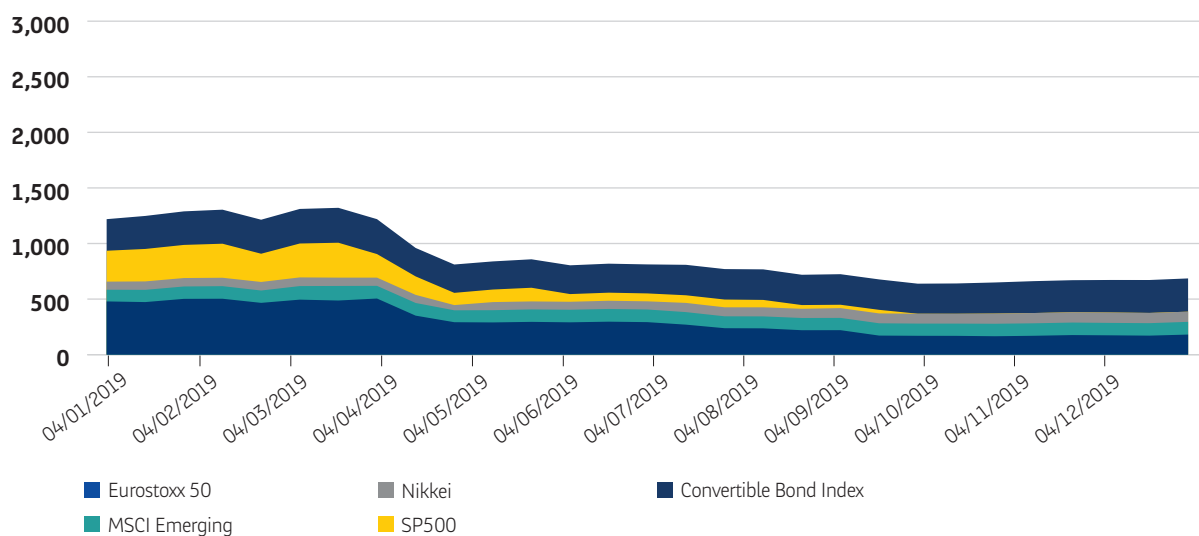
RATE SENSITIVITY (IN € THOUSANDS/BP)



The sensitivity of the trading portfolio doubled since the start of the year but is far from its limit (revised upward in April 2019)

CREDIT SENSIVITY OF THE TRADING PORTFOLIO (IN € THOUSANDS/BP)


The credit sensitivity of the trading portfolio remained low.

SENSITIVITY TO INDICES


Excluding AIFs, the sensitivity of the UCITS portfolio1 to indices has decreased significantly due to a reduction in positions.

4.5.2.10 Capital requirements for market risk and for CVA

CVA equity requirements

CVA equity requirements (CCR2)

(in € millions)	Exposure value	RWA
Total of portfolios under the advanced method	-	-
VaR component (including the x3 multiplier)	-	-
SVaR component (including the x3 multiplier)	-	-
All portfolios subject to the standardised method	761	187
Based on the initial exposure method	-	-
TOTAL SUBJECT TO CAPITAL REQUIREMENTS WITH REGARD TO THE CREDIT VALUATION ADJUSTMENT (CVA)	761	187

Market risk within the standardised approach (EU MR1)

(in € millions)	RWA	Capital requirements
Confirmed revenue		
Interest rate risk (general and specific)	949	76
Equities risk (general and specific)	-	-
Exchange rate risk	93	7
Commodities risk	-	-
Options	-	-
Simplified approach	-	-
Delta Plus approach	-	-
Scenario-based approach	-	-
Securitisation (specific risk)	-	-
TOTAL	1,042	83

4.5.3 Exposure to portfolio equities not included in the trading book

(in € millions)	Exposure
Equity investments	4,539
Subordinated securities	265
Other	271
TOTAL EQUITY RISK	5,075

Consolidated equity investments mainly consist of La Banque Postale's interest in CNP Assurances.

Unrealised gains and losses and gains and losses on disposals are presented in tables "4.4 Financial assets recognised at fair value through equity" and "5.3 Net gains and losses on financial assets recognised at fair value through profit or loss" attached to the consolidated financial statements.

4.6 OPERATIONAL RISKS

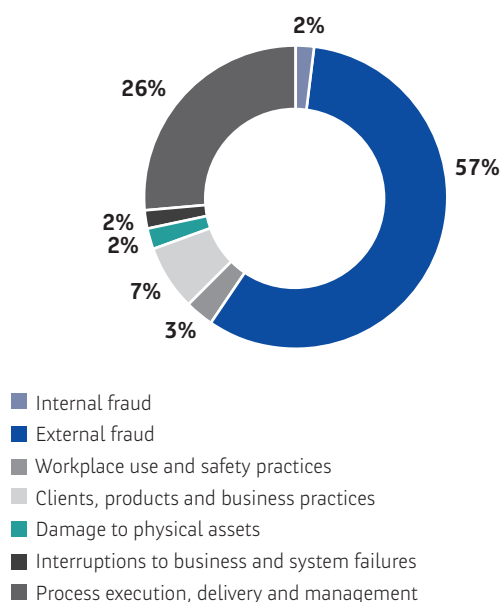
4.6.1 Key figures

The indicators, warning thresholds and limits for operational risk are defined in La Banque Postale Group's Risk Appetite Statement, approved by the Supervisory Board.

The significant incident threshold, within the meaning of Article 98 of the decree of 3 November 2014, was not exceeded in 2019.

The “external fraud” family is the Group's main exposure. These are frequent cases of fraud, mainly linked to means of payment (electronic money and cheques). However, the actions taken over the past years under the direction of Executive Management have strengthened the system to fight against fraud and significantly reduced the losses resulting from this risk.

**INCIDENTS ASSOCIATED WITH OPERATIONAL RISK,
BY VALUE (AVERAGE FROM 2015 TO 2019, %)**



**INCIDENTS ASSOCIATED WITH OPERATIONAL RISK,
BY NUMBER (AVERAGE FROM 2015 TO 2019, %)**



Breakdown by business line, by average value from 2015 to 2019

Business financing	0%
Trading and sales	0%
Retail brokering	2%
Commercial banking	48%
Retail Banking	28%
Payment and settlement	19%
Agency services	0%
Asset management	1%
Corporate items	2%

4.6.2 Regulatory framework and definition

In accordance with EU regulation no. 575/2013 of 26 June 2013 and the decree of 3 November 2014, the definition of operational risk adopted by La Banque Postale, as approved by the Group Risk

Management Committee 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 having a low probability of occurrence but a high impact, risks of internal and external fraud, legal risks, risks of non-compliance (including

damage to reputation), and risks linked to the models, but excludes strategic risks”.

4.6.3 Scope of application

This definition applies to all of the activities of:

- ▶ La Banque Postale and its subsidiaries;
- ▶ La Poste in all sectors performing transactions in the name of and on behalf of La Banque Postale;

- ▶ companies in which La Banque Postale, through investment, plays a direct and effective management role.

The operational risk management procedures rely upon the principal of the empowerment of the businesses in the identification, measurement, hedging and monitoring of their risks.

4.6.4 Governance

4.6.4.1 Positioning of the Operational Risk Department

The Group Risk Department is responsible, with respect to the Executive Board, for the procedures for managing and monitoring La Banque Postale Group’s operating risks.

As such, the Operational Risk Department, under the responsibility of the Group Risk Department, reports to the Group Risk Management Committee for the creation and implementation of procedures for managing and monitoring operational risks.

Missions of the Operational Risk Department

As part of monitoring any type of risks associated with operations (volume V of the decree of 3 November 2014), the main missions of the Operational Risk Department are:

- ▶ **establish the framework:** establish operational risk policy and governance for La Banque Postale Group, define operational risk management rules, standards, methods and tools and ensure their operational application (leadership of the unit);
- ▶ **monitor:** identify the major risks of La Banque Postale Group, monitor and report on the effectiveness of the systems put in place to manage those risks;
- ▶ **anticipate future threats:** identify and model stress test scenarios, identify weak signals;
- ▶ **provide support:** help unit players with the implementation and leadership of the system in place in their business line.

4.6.4.2 Operational risk management players

The respective roles and responsibilities of La Banque Postale Group players with respect to operational risk management are formalised in the Group Risk Management Policy. This system is approved by the Group Risk Management Committee and distributed to the various Group entities and to entities acting in the name of and on behalf of La Banque Postale (La Poste Network).

The Group risk management system is applied through risk management and operating methods rules set forth in the documentation database for operational risk management.

The key principle is the accountability of business units with respect to the risks their activity is exposed to. To carry out their missions within the risk management system, entity heads are assisted by the employees of the Risk Division, who report to the Group Risk Department, designated and name “Risk Managers” (RMs).

Within their respective spheres of responsibility, the RMs:

- ▶ ensure the implementation and application of the operational risk management system;
- ▶ monitor its effectiveness;
- ▶ report to the Operational Risk Department.

The Operational Risk Department manages all of the actors concerned in operational risk matters with the help of a road map which establishes the action priorities, deliverables and the respective delivery schedule for each year.

4.6.4.3 Bodies

The Operational Risk Department participates, as needed, in meetings of the Group Risk Management Committee, chaired by the General Secretary. The main missions of this Committee in terms of operational risks are: to validate the Group’s operational risk profiles, investigate and arbitrate on the risk management systems post-mortem of significant events.

In addition, each entity must hold a Risk and Control Committee meeting or Risk Management Committee meeting at least twice a year to provide a consolidated view of the effectiveness of the operational risk management system and of the related controls.

Lastly, the Operational Risk Departments meet twice with the Risk Managers at the Operating Risk Management Days. These Committee meetings notably make it possible to coordinate the actions initiated by the function, to exchange good practices and to reflect on changes to be made to the Operational Risk Management System.

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 concerning prudential requirements applicable to credit institutions and investment firms.

The Operational Risk Department manages the implementation of an operational risk analysis and measurement system compliant with the decree of 20 February 2007 on capital requirements applicable to credit institutions and investment firms and with Regulation no. 575/2013.

The system notably depends on:

- ▶ operational risk mapping;
- ▶ the implementation of a system for communicating events and losses sustained by the various entities of La Banque Postale and the subsidiaries concerned to the Group Risk Department;
- ▶ the implementation of modelling and quantification of operational risk stress tests;
- ▶ reports, consisting of an assessment of operational risk levels by Basel group, based on events identified and monitoring indicators.

The system implemented 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.

Thus, operational risk management contributes to strengthening La Banque Postale's internal control system.

4.6.5.1 IS security

A risk-based approach to Information Systems Security

Information Systems Security is defined as an overall risk management system guaranteeing an adequate level of protection of information produced and transferred and of related assets in order to ensure:

- ▶ **their availability:** by guaranteeing that authorised users have access to the information and related resources as needed;
- ▶ **their integrity:** by guaranteeing the accuracy and reliability of the information and data processing methods;
- ▶ **their confidentiality:** by guaranteeing that only authorised persons have access to the information;
- ▶ **their traceability:** by knowing which persons have access to the information and when they access it.

The process of securing the Information System is the responsibility of the business lines under the leadership of the Group RSSI (Manager of Information Systems Security). Cross-entity information security is provided in all business activities of La Banque Postale Group by the RSSI.

The process has four primary focuses:

- ▶ defining La Banque Postale's ISS strategy under the Risk Management Policy. It is made up of the Information Systems Security General Policy, Thematic Policies, Technical Security Directives, operational procedures and IT charters;
- ▶ monitoring the operating deployment of this strategy;
- ▶ assisting the business lines in complying with the ISS strategy and with their approach to the risks relating to information systems, in particular by:
 - scrutinising their information systems risk analyses,
 - making employees aware of changes in ISS risks;
- ▶ compiling a list of the ISS risks to which La Banque Postale Group is exposed so as to provide the Group Risk Department with the necessary data to inform Executive Management bodies of exposure to risk.

Organisation

In operational terms, ISS consists of identified Correspondents who report to Operational Risks as well as the teams of the ISD dedicated to operational security.

Cyber risk and insurance coverage

Cyber risk is a major concern for La Banque Postale within the context of the massive digitalisation of services and of a growing cyber threat.

In addition to the cyber risk management action plans deployed within the Group, an analysis of the level of coverage provided by cyber risk insurance was undertaken in 2018 and resulted in taking out additional capacity.

4.6.5.2 Emergency and Business Continuity Plan (EBCP) and Safety of Persons and Property (SPP)

The Group's Emergency and Business Continuity Plan (EBCP) and Safety of Persons and Property (SPP) framework is intended to minimise the impact of potential accidents on customers, staff, activities and infrastructure in order to preserve the reputation of the Group and its survival.

The goal of the implementation approach is to optimise the business continuity and physical resilience systems of all of the Group's entities. It is based on a methodology consisting in:

- ▶ identifying threats;
- ▶ protecting infrastructure *via* prevention and physical protection systems and measures;
- ▶ identifying business line continuity priorities, needs and strategies;
- ▶ implementing an effective response capacity for a range of crisis scenarios, including extreme shocks, *via* a group crisis management system;
- ▶ testing and maintaining the systems to ensure their effectiveness.

The Group has defined four interruption scenarios:

- ▶ lasting unavailability of a site hosting personnel;
- ▶ failure of information systems and/or technical systems;
- ▶ significant employee absenteeism;

- ▶ unavailable critical and significant services.

The EBCP/SPP manager works with a specialised unit which manages the risk of business continuity failure in a cross-entity capacity.

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 EU regulation No. 575/2013 of 26 June 2013.

The calculation of weighted assets is obtained by multiplying the capital requirements by 12.5.

Summary Table

	31.12.2019		31.12.2018
	Risk-weighted assets	Capital requirements	Risk-weighted assets
(in € millions)			
Standardised approach	9,504	760	9,351

4.7 INSURANCE AND CONGLOMERATE RISKS

4.7.1 Insurance risks

The Insurance Division comprises four subsidiaries constituted as limited companies and a qualifying shareholding in CNP Assurances, itself a limited company.

Through its insurance subsidiaries – La Banque Postale Assurances IARD (LBPAI), La Banque Postale Prévoyance (LBPP), La Banque Postale Assurance Santé (LBPAS) and La Banque Postale Conseil en Assurances (LBPCA) – and its relationship with CNP Assurances (through both its commercial partnership and its equity interest in CNP Assurances), La Banque Postale Group is exposed to risks inherent to the insurance sector.

The development of La Banque Postale's activities with its customers has relied, since its creation, on the reinforcement of its insurance offers. In this respect, the insurance business is an important element of the La Banque Postale Group's strategy.

For more information on the insurance activities, refer to the chapter 1 of the Universal Registration Document, Section 1.4.2 Insurance.

4.7.1.1 Classification of insurance risks

All of the subsidiaries and investments of the La Banque Postale Group belonging to the insurance sector must meet, at all times, the regulatory requirements of this sector. La Banque Postale, while not an insurance group within the meaning of Article L.322-1-2 of the French Insurance Code, as the parent company and head of the financial conglomerate, is responsible for ensuring that each of its subsidiaries meets all the requirements and, more generally, as regards the Insurance Division as a whole, that the mechanisms for risk control implemented are in line with, in particular, the Group's Risk Management Policy and Group Risk Management Charter.

The Insurance Risk Management Policy is carried out on the basis of the legal and regulatory framework implemented by the "Solvency II" and "FICOD" directives, transposed into French law. This Policy sets out the strategies, principles and processes making it possible to identify, measure, manage and monitor risks to which the insurance activities of La Banque Postale Group are exposed, including those entrusted to its partners from the insurance sector.

Within the framework of the Group's Risk Management Policy and the Group Risk Management Charter, and by delegation of La Banque Postale Group's Risk Management Department, the definition and implementation of the risk management system for the management, control and monitoring of the insurance activities of La Banque Postale and its subsidiaries are entrusted to the Finance, Risk, Compliance and General Management Department of the Insurance Division which:

- ▶ develops and validates an Insurance Risk Management Policy which is integrated into the Group Risk Management Policy;
- ▶ implements the mechanisms for the management of the La Banque Postale Group's risks, by deploying and adapting them, as applicable, for the Insurance Division, taking into account the applicable sectoral regulations;
- ▶ oversees compliance, by the Insurance Division entities, with the Group systems and with the requirements specific to the Business and the applicable regulations;

- ▶ implements a risk department for the Insurance Division for which it ensures coordination and liaison with the La Banque Postale's Risk Department. It is led by La Banque Postale Group's Risk Department with, notably, the Risk and Actuarial Department. Within this framework, the head of risk management within the Insurance Division is, at least, functionally attached to it.

These mechanisms for controlling insurance risk must make it possible for the Group to have a sub-consolidated vision, at the level of the Insurance Division, of the risks taken and the potential risks, and to ensure at all times that they are compatible with the appetite for risk. Equally, this mechanism must make such monitoring possible on a consolidated basis at the level of the La Banque Postale Group.

To ensure that the insurance activities are aligned with La Banque Postale Group in terms of risk management, the Insurance Risk Committee coordinates and supervises the risk management system for the entire Insurance Division, including outsourced activities. In particular, it is in charge of providing a consolidated perspective of Insurance Division risk and of the corresponding level of control.

The Committee is chaired by the Head of the Insurance Division and is coordinated by the Divisional Head of Finance, Risk, Compliance and General Management. Committee meetings are attended by managers from various functions contributing to the risk control and management system of La Banque Postale:

With regard to the Insurance Division, the **governance of risk** is based on:

- ▶ the executive bodies of each subsidiary: the Board of Directors and its Audit and Risk Committee, in addition to other committees deriving from it: the Financial Committee and the Development Committee, for example;
- ▶ the operational governance bodies:
- a) the General Management of the subsidiary which relies on two managers, each of which has the authority to commit the Company and whose respective scope of duties and systems tools ensure a dual view on the operations and continuity in decisional processes defined by the Board of Directors.

General Management undertakes various responsibilities with regard to the establishment, management and monitoring of the internal control and risk management system (implementation of the Insurance Risk Management Policy, allocation of capital to the various business activities, defining operational thresholds with regular reviews according to the development of the risk profile; defining in detail the organisation of the Subsidiary and, notably, the associated decision-making processes; defining and developing an internal control environment; ensuring the implementation of an appropriate structured reporting system; examining the indicator dashboard and updating the risk map; recommending measures aimed at adapting and improving the internal control and risk management system to the Board of Directors and applying the Board's guidelines on measures to be taken to mitigate identified risks and/or introduce improvements based on reports received; alerting the Board of Directors of any malfunctions or significant risks),

- b) the Insurance General Management Committee, which brings together the Deputy Insurance Division Director, the Effective Managers of the subsidiaries, the Head of Human Resources, and the Director of General Affairs, the Director of Organisation, the Director of Programmes and Solutions and the Customer Relations Department (responsible for implementing the strategic directions of the Insurance Division, ensuring monitoring of the progress plan and implementing any required corrective actions, defining and coordinating the Insurance Division's activities, managing the results and resources of the Insurance Division, proposing structural operational solutions for the Insurance Division, guaranteeing coordination with the Group and providing it with their expertise, proposing new growth projects, developing the Insurance Division's medium-term plan and monitoring its implementation),
- c) the Risk Management Committee under the responsibility of the Risk Management Function (assists General Management with the definition and monitoring of the risk strategy, the measurement of the associated capital levels and the definition of any corrective actions, provides oversight of the risk management system and of the control plans, and ensures the regular production of the risk indicator dashboard by analysing the results),
- d) the Model and Assumptions Committee of each subsidiary reporting to the Actuarial Unit (provides General Management, the Actuarial function and the Risk Management function with a report on the status of the models, the environment and security in place and their updating in order to understand, approve and report to the Risk Management Committee on changes to models and their impact as well as on model thresholds, ensures that there is an adequate level of documentation, obtains approval for the management strategies proposed to the Company's business heads, takes part in training managers on the tools and their limits, arbitrates the assumptions, legal framework and models used for the decisions),
- e) the Product Review Committee, reporting directly to General Management (analyses new products and guarantees and their risks in order to verify their match with the business plan and the risk profile of the subsidiary, approves or rejects projects to launch new products or guarantees prior to presentation to the La Banque Postale's Products Review Committee),
- f) Partnership Management Committees reporting to General Management to verify implementation by service providers of their contractual commitments in terms of risk management,
- g) the four key functions of each subsidiary: Risk Management, Compliance Checking, Actuarial Verification and Internal Audit (which is delegated to the Internal Audit Department of La Banque Postale). The key functions report on their work to the Audit and Risk Committee which reports in turn to the Board of Directors.

The risk thresholds 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 the selection of risks.

The main risks linked to insurance activities are monitored by La Banque Postale Group's Risk Management Committee and CNP Assurances' Audit and Risk Committee.

4.7.1.2 Classification of insurance risks

La Banque Postale's Insurance Division risks are grouped into four main risk categories in line with the risk classification of the Solvency II regulations and the conglomerated risk map:

- ▶ financial risks;
- ▶ insurance liability risks (or technical risks);
- ▶ operational risks and risks of non-compliance;
- ▶ other risks, including the model risk.

Financial risks

The insurance subsidiaries of La Banque Postale carry out market transactions as part of their balance sheet asset and liability management: shareholder equity and commitments towards policyholders are covered by various categories of assets exposed to the risk of securities' price changes resulting from movements in the financial markets and factors inherent to each issuer.

Market risk

The insurance subsidiaries are exposed to the following market risks:

- ▶ interest rate risk;
- ▶ equity risk;
- ▶ property risk;
- ▶ spread risk;
- ▶ exchange risk;
- ▶ concentration risk;
- ▶ liquidity risk;
- ▶ counterparty risk.

Interest rate risk

Given that most of the portfolio consists of interest rate products, the asset portfolio is mainly exposed to interest rate risk: an interest rate rise would have an immediate repercussion on the level of unrealised capital gains or losses on fixed-income assets; a fall in interest rates would entail a dilution of the asset's overall rate of return caused by lower actuarial rates upon the purchase of bonds.

Equity risk and property risk

Equity risk and property risk result from the sensitivity of the value of these assets to changes affecting the market value or volatility of equities and/or property.

As with direct investments in equities and through equity investment funds, equity portfolios are sensitive to fluctuations that may be sustained in the equity markets and the risk of loss of value caused by a fall in prices of property and infrastructure assets.

Spread risk

Spread risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads compared to the risk-free interest rate yield curve.

Exchange rate risk

There may be some indirect exchange rate risk exposure arising from placements in investment funds able to invest in securities denominated in a foreign currency.

Exchange rate risk is related to fluctuations in the level or volatility of exchange rates between the currency of assets and of liabilities.

Concentration risk

Concentration risk arises either from insufficient asset portfolio diversification or from significant exposure to default by a single securities issuer or by a group of related issuers.

Liquidity risk

Liquidity risk, for the insurance subsidiaries, is the risk of being unable to realise their investments and retain assets in order to meet their financial obligations when they fall due.

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 risk, strategic and tactical investment allocation guidelines are defined annually by the insurance subsidiaries of La Banque Postale Group. These guidelines specify targets for portfolio distribution by asset class, the maturities and preferred interest rates for fixed-income investments, as well as the bank's objectives in terms of hedging financial risks.

Oversight of the implementation of these guidelines involves assessing compliance with the thresholds applicable to each asset class, monitoring portfolio sensitivity and ensuring a satisfactory liquidity level.

Technical risks, or insurance liability 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 to catastrophe risk, associated with changes to the features of portfolios of insured parties.

Underwriting risk is defined as the risk which the insurer takes in distributing insurance contracts to physical persons or to legal entities, stemming from:

- ▶ market segments or risk categories which are not consistent with the risk profile and commercial strategies of the insurance company;
- ▶ complex risk categories which are difficult to assess;
- ▶ insufficient technical competencies within the internal personnel and the sales networks;
- ▶ failure to comply with limits.

Underwriting risk encompasses the following risks:

- ▶ **mortality risk** is the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend or volatility of mortality rates, when a rise in these rates brings on a rise in the value of insurance commitments;
- ▶ **longevity risk** is the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend or volatility of mortality rates, when a fall in these rates brings on a rise in the value of the insurance commitments;
- ▶ **disability risk** is the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend or volatility of disability, sickness and morbidity rates;
- ▶ **surrender risk** is the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend or volatility of early termination, expiry, renewal and surrender of policies;

- ▶ **expense risk** is the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend or volatility of expenses incurred for the management of insurance or reinsurance contracts;
- ▶ **revision risk** is the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend or volatility of revision rates applicable to annuities, as a result of a change in the legal environment or state of health of the insured party;
- ▶ **premium and reserve risk** is the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the occurrence, frequency and gravity of insured events, as well as the date and amount of claim settlements;
- ▶ **catastrophe risk** is the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from significant uncertainty of pricing and provisioning assumptions in the light of extreme or irregular events.

Through their underwriting policies, the Property & Casualty insurance and Health & Personal Risk 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 anticipated level of technical risk. Underwriting thresholds have been defined for each risk.

Operational risks and risks of non-compliance

Operational risks and risks of non-compliance correspond to unforeseen losses resulting from inadequate or faulty internal processes, personnel, internal systems or external events. Operational risk includes legal risks, but does not include risks stemming from strategic decisions, or from reputational risks.

Operational risks include:

- ▶ **risk of internal fraud:** risk of losses resulting from actions which are not compliant with the legislation in effect or with employment, health or safety conventions, claims for compensation for personal prejudice or breaches of equality/acts of discrimination;
- ▶ **risk of external fraud:** risk of losses resulting from actions by a third party intended to defraud, misappropriate property or bypass legislation;
- ▶ **risks related to employment and workplace safety:** risk of losses resulting from actions which are not compliant with the legislation in effect or with employment, health or safety conventions, claims for compensation for personal prejudice or breaches of equality/acts of discrimination;
- ▶ **risk related to customers, products and business practices:** risk of losses resulting from a non-intentional breach, negligence, failure to meet a professional obligation toward specific customers (including fiduciary and compliance requirements) or shortcomings in the nature or design of a product;
- ▶ **risk of damage to tangible assets:** risk of destruction or damage resulting from a natural catastrophe or other events;
- ▶ **risk of business interruption or system malfunctions:** risk of losses resulting from interruptions of the business activity or system malfunctions;
- ▶ **risks related to the execution, delivery and management of processes:** risk of losses resulting from a problem in the processing of a transaction or in the management of processes or suffered within the context of relations with commercial counterparties or suppliers.

Other risks

Other risks concern those tied to internal and external factors which may have a significant impact on the strategy and the achievement of the objectives of the insurance subsidiaries or of another entity.

They include the following risks:

- **risk related to regulatory changes:** risk related to regulatory changes which have not yet been mastered which can unfavourably impact the strategy, volume or quality of new business, the profitability of the portfolio or which could result in sanctions. This also includes tax changes;

- **retail risk:** risk of losses due to a retail strategy which does not enable achievement of the goals initially set in the business plan;
- **reputational risk:** risk of losses due to the deterioration of the image of a subsidiary or one of its partners;
- **emerging risks:** risks related to technology and/or environmental changes which have not yet been mastered;
- **partnership risk:** risk of losses due to a partner strategy which does not enable achievement of the goals initially set;
- **model risk:** this risk covers the risk of specification error, implementation risk and estimate risk and the risk of improper use.

4.7.2 Conglomerate risks

La Banque Postale was identified as Conglomerate Head by the competent authority upon its creation in 2006 and, in that respect, is subject to Additional Oversight.

The obligations related to Additional Oversight are described in the decree of 3 November 2014 concerning Additional Oversight, transposing EC Directive 2002/87, also known as the FICOD directive.

In this respect, the insurance subsidiaries: La Banque Postale Assurances IARD (LBPAI), La Banque Postale Prévoyance (LBPP), La Banque Postale Assurance Santé (LBPAS), in addition to the qualifying shareholding in “CNP Assurances”, the asset management firm LBPAM and the subsidiary credit institutions and investment firms, are subject to additional oversight in the following areas:

- capital adequacy;
- monitoring concentration risk;
- monitoring intragroup positions.

The conglomerate structure corresponds to the Group structure set out in chapter 1 of this Universal Registration Document, while the consolidation method is detailed in chapter 5. The governance of CNP Assurances is described in its 2019 Universal Registration Document, in its chapters relating to corporate governance, risk management and internal control.

The monitoring of conglomerate risks led to the implementation of a conglomerate standard within the Group which was approved by the Standards Validation Committee in May 2017.

4.7.2.1 Governance and organisation

Conglomerate risks are monitored, in particular, for:

- the subsidiaries, at the Group body level, namely the Insurance Risk Committee, then the Group Risk Management Committee (see Section 4.7.1 on Insurance Risks);

- CNP Assurances’ qualified participation, at the level of the Conglomerate Committee, which is subject to specific cross-functional monitoring. This Committee meets on a quarterly basis and includes members from the financial functions and the internal control functions for each entity. Thereafter, monitoring takes place at the level of the Group Risk Committee.

The management and monitoring of risks in the insurance sector is therefore the remit of the Insurance Risk Committee and the Conglomerate Committee. The main risk factors and associated indicators are presented at the meetings of these committees.

The Conglomerate Committee met six times in 2019 and reviewed the following topics related to internal control:

- presentation and monitoring of the Audit Plan;
- presentation and monitoring of the Risk and Permanent Control System;
- presentation and monitoring of the Compliance and AML/CFT system.

Trajectory assumptions for the insurance subsidiaries and CNP Assurances are included in the solvency trajectory of La Banque Postale.

These committees provide exchanges ensuring additional supervision. A summary is presented to the Group Risk Management Committee on, notably, the solvency ratios for the insurance sector entities.

A summary is also presented on the asset management subsidiaries, setting out:

- distribution by asset class and by rating;
- monitoring of concentration risk, broken down by sector, by geographic area and by bank debt beneficiary.

4.7.2.2 Capital adequacy monitoring

As Conglomerate Head, La Banque Postale must ensure the individual capital adequacy of each entity subject to prudential requirements and on a consolidated basis at the conglomerate level.

The level of capital, at Conglomerate level, must be sufficient to meet the capital requirements (ratio above 100%).

As at 30 June 2019, the equity of the financial conglomerate meets the solvency requirements for banking and insurance activities.

(in € millions)	30.06.2019	30.06.2018	31.12.2018
Total equity of the financial conglomerate	12,730	12,458	12,150
Regulatory requirement for the regulated entities	8,910	8,203	8,325
Equity excess or shortage	3,820	4,256	3,825

4.7.2.3 Monitoring of concentration risk

La Banque Postale must ensure that its information is complete and comprehensive to provide full and proper oversight of concentration risk. La Banque Postale has all the information required to monitor concentration risk.

In particular, it takes into account, for insurance sector exposures, the different assessment of exposures borne, La Banque Postale carrying fully and directly the risk of exposure carried on its balance sheet assets while the insurers' exposures, which are positioned in relation to insurance premiums, generate a residual risk (zero on certain supports) carried by the Conglomerate.

The conglomerate does not change the risk profile of La Banque Postale to a significant degree. It remains exposed mostly to sovereign risk and local authority risk in the euro zone

and mainly in France. The remaining exposures are mainly located on the banking counterparties.

4.7.2.4 Monitoring of intragroup position risk

La Banque Postale monitors intragroup positions between the insurance entities and the credit institutions.

Intragroup exposure is mainly limited to the guarantees provided by CNP Assurances (or its subsidiaries (CNP Caution)) for the real estate loan activities, the amount of which does not exceed €1 billion, and the amount of commissions received. There are no refinancing dependencies (senior or subordinated) between the two sectors.

4.8 OTHER RISKS

4.8.1 Legal and tax risk

The Group Legal Department has a dual role in terms of controlling legal risk. It advises La Banque Postale's departments, enabling them to measure the legal risk inherent to their activity, and it also defends La Banque Postale's interests.

The management of legal risk is extended throughout La Banque Postale Group with the creation of Legal Division at the level of the La Banque Postale Group. Given that the legal officers of the subsidiaries report functionally to the La Banque Postale Group Deputy Head of Legal Department, the legal unit ensures there is consolidated information on, and management of, significant legal risks that could impact the subsidiaries.

The Group Legal Department also contributes to the work performed by La Banque Postale's various committees:

1. 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;
2. within the New Products Review Committee, the Legal Department analyses the cases presented and issues opinions;
3. within the Disputes & Provisions Committee, the Legal Department discusses the litigation under way and the provisions to be booked for them;
4. within the Internal Control Coordination Committee, the Legal Department takes part in reviews concerning audits and internal control activities;

On 21 December 2018, the ACPR Sanctions Committee reprimanded La Banque Postale and issued a fine of €50 million following a report on its AML/CFT initiative; this decision was conformed by the Council of State. The report found that the control system was deficient with respect to national mandates issued by non-customers. This activity was terminated as of 31 December 2017. In addition, the report led to the opening of a preliminary inquiry.

On 29 January 2020, the Supreme Court reversed the decision of the Paris Court of Appeal of 21 December 2017 confirming the decision by the Competition Authority (on 20 September 2010) which had sentenced 11 French retail banks and the Banque de France to a fine for entering into an agreement on cheque image exchange (EIC) commissions. The Supreme Court partially reversed the decision and referred the case back to the Paris Court of Appeal.

There are no other 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, any significant effect on the financial position or profitability of the Company and/or the Group.

La Banque Postale's fiscal risks are the responsibility of the Tax Department reporting to the Bank's Finance Department. This Department provides La Banque Postale's fiscal management and centralises tax advisory for all of La Banque Postale's different business lines and the subsidiaries. It helps the different contacts to prevent and control fiscal risks.

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

On 14 November 2018, La Banque Postale was reassessed VAT collected on recovery transactions on behalf of third parties (notice to third-party debtors and others) for the period from 1 January to 31 January 2015.

On 1 April 2019, the audit was extended through 2016 and 2019.

Following a decision of the Council of State on 24.04.2019 (SA Caisse d'Epargne no. 412570) against the Tax Office, the verification department announced that there would be no adjustment.

4.8.2 Risk of non-compliance

4.8.2.1 Supervision of the non-compliance risk management procedures

Definition

Non-compliance risk is defined by the decree of 3 November 2014 as *"the risk of legal, regulatory or disciplinary sanctions, or significant financial loss or damage to reputation, 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 body"*.

The legislator granted the regulator, through Article L. 612-1 of the French Monetary and Financial Code, the role of *"ensuring that persons subject to the control of the regulator comply with the rules designed to safeguard the protection of their customers [...] and that the resources and procedures that they implement to that end are fit for purpose [...]"*.

In addition, as a provider of Investment Services, La Banque Postale is obliged to comply with the General Regulation of the French Financial Markets Authority (AMF) and to manage the associated risks.

Non-compliance risk includes risks associated with combating money laundering and the financing of terrorism activities.

Non-compliance risk management involves the following departments:

- ▶ the Compliance Department (Customer Protection Department, Financial Security Department, Coordination and Steering Committee);
- ▶ the Group Risk Department;
- ▶ the Legal Department;

Three committees are dedicated to governance of this risk: the CCCID (Internal Control Coordination and Ethics Committee), the LBP's AML/CFT Committee and the Group AML/CFT Committee.

4.8.2.2 Action by the Compliance Department to ensure customer protection and investment services compliance

Customer protection

The system for management of customer protection risk is based on the key principle of accountability among all players involved. This principle is the foundation of an efficient customer protection system. All employees must ensure that the work that they perform and the transactions that they handle are executed in accordance with the expected procedures and the level of quality required, while taking into account the customer's interests. This principle relies on close involvement of managers.

Similarly, all employees must ensure that each project that they work on is managed in compliance with the systems and internal rules of La Banque Postale Group with regard to customer protection.

The job of protecting customers has always been a matter handled with great vigilance by La Banque Postale. It has a system which aims to control, as effectively as possible, the risks to which it is exposed and it ensures that the system is adapted according to needs.

La Banque Postale is equipped to identify potential or proven risks, whether upstream through regulatory monitoring, or with feedback through the analysis of complaints and control results.

It has implemented a management system for this risk based on three departments: Regulatory Monitoring within the Legal Department and the Compliance and Customer Protection Policy Departments within the Compliance Department.

The Compliance Customer Protection Department ensures the implementation of the system provided for by Article 35 of the decree of 3 November 2014 by preparing and leading the Product Review Committee. This Committee meets for all new products and major changes at La Banque Postale. It is chaired by the Head of Compliance.

The Compliance Customer Protection Department ensures the consistency of the messages broadcast *via* advertising media with the values of La Banque Postale (priority given to customer interests, clear information).

The Customer Protection Policy Department manages customer protection risk mapping for all La Banque Postale Group entities. The mapping is included in the Group's operational risk mapping, managed with a centralised tool. It is updated at least once a year by the Group entities subject to this risk. To manage mapping, the Department relies on the leadership of the compliance correspondents of the entities within the framework of the coordination committees.

The Department also handles customer complaints forwarded by the supervisors and leads the Compliance and Claims Control group. This group brings together all of the Compliance

correspondents of the business lines in question to define and monitor implementation of the improvement actions identified during the complaints process. It also prepares the questionnaire on commercial practices and customer protection for the ACPR (QPC).

Compliance of investment services

The compliance control system for investment services is managed by the Head of Compliance for Investment Services (CCSN), assisted by the Investment Services Compliance Department. The latter Department assists with the functional application of the control of the delivery of investment services by physical persons working under the authority of La Banque Postale, or on its behalf, as well as controlling relationships with customers and with the markets.

La Banque Postale Group's RCCI/CCSN Committee is a forum for compliance and internal control managers of subsidiaries providing investment services. It ensures the consistency of investment services positions within La Banque Postale Group.

The Investment Services Compliance Department manages the mapping of risks associated with investment services (and ancillary risks). The purpose of this risk mapping exercise is to assess the suitability and effectiveness of the compliance systems in terms of detecting any risk of non-compliance with the professional obligations referred to in Section II of Article L. 621-15 of the French Monetary and Financial Code.

It is based on the results of permanent and periodic controls and on events.

The non-compliance risk assessment enables the frequency of Level 2 controls for investment services to be adjusted, depending on the level of risk.

This risk map feeds into the customer protection risk map for matters concerning customer protection, and the Bank's operational risk map for risks related to market integrity and information barriers.

Finally, the Investment Services Compliance Department prepares a map of the various potential conflict of interest situations in its business activities which could compromise customer interests (and/or those of unit holders). This risk map ensures that organisational or procedural measures are implemented to prevent or manage potential conflicts of interest and ensures that the related controls are carried out and produce satisfactory results.

4.8.2.3 Action by the Compliance Department to fight against money laundering and the financing of terrorism

The system to fight against money laundering and the financing of terrorism (AML/CFT) is implemented by the Financial Security Department (FSD) reporting to the Compliance Department. It is deployed within the La Poste Network and at the subsidiaries by the Coordination and Steering Committee (DAP).

Financial Security Department

The Financial Security Department defines La Banque Postale Group's rules of procedure for AML/CFT and for regulatory AML/CFT documentation and training.

It manages the alerts issued by the La Poste Network and the alert tools;

It also plays a role in the supervision, expertise and definition of training for the bank's AML/CFT Division. It ensures that the system is consistent throughout the La Banque Postale Group with regard

to the classification of AML/CFT risks and ensures consolidated reporting.

The Financial Security Department is also responsible for managing the Bank's relationships with Tracfin (AML/CFT) and with the Treasury (financial penalties and embargoes) at national level.

The Financial Security Department has the following dedicated resources to carry out its work successfully:

AML Department

The AML Department consists of 14 Tracfin Declarants/Correspondents (DCT) and 7 AML units.

The AML units in the Financial Centres (*i.e.* about 60 employees) are responsible for analysing all alerts from post offices, Business Centres and Financial Centres, as well as the alerts generated by the dedicated AML/CFT software package.

Having analysed warnings and alerts, the AML unit analysts either proceed to a justified filing with no action, or prepare an investigation file for referral to the Level 2 AML-CFT function.

The TRACFIN informant officers are the only persons within the function (excluding the subsidiaries and branches) authorised to convey suspicious transaction reports to Tracfin and to respond to the rights of communication exercised by that body.

Financial Sanctions Department

The Financial Sanctions Department consists of experts and an anti-terrorism unit.

The anti-terrorism unit is responsible for the first-level handling of alerts identified by filtering financial penalty lists with the aid of the filtering tool, and is responsible for monitoring countries under embargo.

Alerts which are not raised by the anti-terrorism unit are sent for processing to the dedicated operational unit of the Financial Security Department which manages the overall system.

Risks and Procedures Department

This department consists of two departments that define the classification of risks and the applicable procedures in terms of Financial Security.

Data Sciences Financial Security Department

This Department consists of a business line Project Management team which ensures that the financial security tools are mastered, and of a team dedicated to modelling Fraud and AML/CFT alert scenarios within the La Banque Postale Group and La Poste Network (RLP).

La Poste Network

- The AML/CFT system of La Poste Network (RLP) is based on the RLP's Sector Directors for post offices and on the Operational Risk Managers in the Financial Centres, the Sector Heads in the Post Office branches.

The Sector Heads act in the name of and on behalf of La Banque Postale. They are in charge of establishing alerts for anomalies, reported as part of Post Office activities, that are likely to constitute a money laundering or terrorism financing risk. These alert systems feed into the AML/CFT Division's tools for combating money laundering. They are also responsible for the execution of the customer knowledge system (KYC) by applying the procedures defined by La Banque Postale.

- The Operational Risk Managers in the Financial Centres are responsible for risk management, including money laundering and terrorism financing risks. They are responsible for:
 - monitoring specific risks related to sensitive customers and the termination of business relationships;
 - monitoring alerts issued by various Centre services;
 - raising the awareness of and training the Financial Centre staff with the support of the AML/CFT units;
 - the Business Centre Heads of the Corporate function have the same responsibilities as the Sector Heads with regard to the activities of specialist business centre advisors and the professional customer managers (RC Pro).

The business centres

The Business Centre Directors for the Corporate business line are in charge of establishing alerts related to anomalies, reported as part of Business Centre activities, that are likely to constitute a money laundering or terrorism financing risk. These alert systems feed into the AML/CFT Division's tools for combating money laundering. They are also responsible for the execution of the customer knowledge system (KYC) by applying the procedures defined by La Banque Postale.

4.8.2.4 Action by the Compliance Department related to ethics risks

Ethics represent the principles and values of the Company and are a continuation of La Poste's historical values which consist of business ethics and the rules of individual and collective conduct to be applied by every employee.

The Ethics/Corruption Prevention Department combines the functions responsible for ethics, regulatory approvals, conduct risk and the system to prevent corruption.

Ethics and corruption prevention rules are formalised in the Ethical Conduct Code and its appendixes and in the Anti-Corruption Code of Conduct. The codes are appended to the Internal Rules to ensure that any breaches can be penalised.

They are disseminated using different methods: distribution of the codes and explanatory and illustrative documents, intranet page, in-class training and e-learning to reach all employees at different times in their career, *i.e.* when they begin with the Company, carry out activities and take regular refresher courses.

Ethics

The ethics function defines and disseminates La Banque Postale's ethics rules.

- ▶ they are distributed by the network of ethics correspondents in the head office departments, the subsidiaries and the Financial Centres which meet periodically;
- ▶ finally, any breaches of ethics or misappropriations discovered by the control bodies and forwarded for action to HR managers and services are escalated and analysed monthly to ensure national monitoring of the most serious cases.

Corruption prevention system

The Ethics and Corruption Prevention Department is responsible for defining and monitoring the implementation of the corruption prevention system in accordance with law no.2016-1691 of 9 December 2016, known as the Sapin II Law.

A steering committee which brings together all of the departments and subsidiaries of La Banque Postale Group around the Legal and Compliance functions has organised the implementation of eight points of the ethics and corruption prevention system within La Banque Postale Group: code of conduct, alert system, risk mapping, assessment of third parties, accounting procedures, training, disciplinary regime, and system control and assessment.

Monitoring of the operation of the corruption prevention system is carried out by:

- ▶ the Corruption Prevention Committee which consists of the corruption prevention players within La Banque Postale Group. The Committee is chaired by the Head of Compliance;
- ▶ within the Internal Control Coordination and Ethics Committee, chaired by the General Secretary, a member of the Executive Board.

Approvals

Ownership of the global approval system includes Insurance approval, AMF certification and the approval for banking and financial sales. This involves the personnel of La Banque Postale, of La Poste and of Financial Services acting in the name of and on behalf of the Bank. The following points are handled, in particular:

- ▶ functions within the remit of each of the approvals are correctly identified and their mapping kept up to date;

- ▶ the management directions and rules defined are shared and implemented;
- ▶ the training and exams leading to employee authorisation are compliant with the requirements of regulations;
- ▶ the method for processing each of the authorisations enables the production of a report if requested by the regulator.

The operational handling of the three authorisations is provided by the Centre national de l'assurance et de l'habilitation (CNAH).

Conduct risk

Conduct risk, which was added to the Risk Management Policy in 2017, 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 indicators fed from several sources has been implemented. It aggregates financial and extra-financial ratings, complaints, the study of disputes, customer and social network studies, fraud analysis and penalties and is completed by external opinion regarding similar issues encountered by peers.

4.8.2.5 Action of the Legal Department with respect to regulatory monitoring

In addition, the organisation of non-compliance risk management is based on the regulatory monitoring system implemented at La Banque Postale. Regulatory monitoring allows the bank to follow the texts applicable to transactions and information related to the personnel concerned. It is based on the regulations set out in the decree of 3 November 2014 and is implemented by the Legal Department (notably by its Group Regulatory Monitoring Department).

Within the La Banque Postale, regulatory monitoring is organised around four business line regulatory monitoring committees (Retail Banking, insurance, asset management/financial markets and accounting/prudential/governance) which meet bi-monthly and bring together legal experts, representatives of the business lines and subsidiaries in question and representatives of the risk, compliance and Internal Audit departments.

A summary of the regulatory monitoring is provided at each La Banque Postale Group General Management Committee meeting.

4.8.3 Environmental risks

These risks are identified and described in chapter 6 of this Universal Registration Document.

4.9 REMUNERATION POLICY

Items related to the remuneration policy are set out in chapter 2 of this Universal Registration Document, under Section 2.1.4 Remuneration. Certain items will be completed in the half-yearly update of the Universal Registration Document.

4.10 PILLAR III CORRELATION TABLE

CRR Article	Subject	Chapter 4 – Risk Management	Page	Or Universal Registration Document page
90 (CRDIV)	Return on assets			Chapter 3, page 75
435	Risk management policy and objectives	Operational implementation of the reference framework	Page 116	
436	Scope of application	Capital management and capital adequacy	Page 100	
437	Capital	Capital management and capital adequacy	Pages 103+	
438	Capital requirements	Current methodology used to calculate capital requirements Capital management and capital adequacy	Pages 109+	
439	Exposure to credit and counterparty risk	Credit risks	Pages 124+	
440	Capital buffers	Capital management and capital adequacy	Page 111	
441	Indicators of global systemic importance	Publication of indicators of global systemic importance	Page 115	
442	Credit risk adjustments	Credit risks	Pages 124+	
443	Unencumbered assets	Encumbered/unencumbered assets	Pages 156+	
444	Use of external ratings agencies	Use of external ratings agencies	Page 141	
445	Market risk exposure	Market risk	Pages 157+	
446	Operational risk	Operational risks	Pages 164+	
447	Exposures in equities not included in the trading book	Exposures in equities not included in the trading book	Page 163	
448	Exposures to interest rate risk on positions not included in the trading book	Interest rate risk	Pages 147+	
449	Exposures to securitisation positions	Securitisation	Page 144	
450	Remuneration policy			Chapter 2, pages 59+
451	Leverage	Prudential ratios	Pages 112+	
452	Use of the IRB approach for credit risk	N/A	N/A	
453	Use of credit risk mitigation techniques	Credit risks	Page 139+	
454	Use of the advanced measurement approach for operational risk	N/A	N/A	
455	Use of internal models for market risk	N/A	N/A	

4.11 DECLARATION ON ITEMS WITH RESPECT TO PILLAR III

La Banque Postale publishes information related to Pillar III in its annual Universal Registration Document.

La Banque Postale considers that the risk management systems currently in place within the Bank, through the various risk identification, measurement and management systems (by type, activity and entity) combined with the cross-functional and forward-looking systems, ensure that the Bank has a comprehensive vision of its risk profile and enables it to put in place the appropriate preventive or corrective actions, as necessary.

The preparation of this chapter was coordinated by the financial communication unit and the information set out herein was produced and documented by the Accounting Department, the

Balance Sheet Management Department, the Tax Department, all three reporting to the Finance Department, the Department of Public Affairs, of Institutional and Financial Communication, the Group Risk Department, the Compliance Department, the Permanent Control Department, the Legal Department and the Insurance Division. The information with regard to the remuneration policy was produced jointly by the Company Secretary and the Human Resources Department.

This chapter was also read in full by the statutory auditors as part of their work to review the update to the Universal Registration Document.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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5.1 CONSOLIDATED FINANCIAL STATEMENTS

In application of ANC recommendation No. 2017.02 of 2 June 2017, La Banque Postale opted to no longer present its insurance activities as separate items on the balance sheet and income statement.

In order to ensure the compatibility of the financial statements, the restated 2018 data are presented in columns "31.12.2018 restated" of the balance sheet and of the income statement.

Income statement notes

(in € thousands)	Notes	31.12.2019	31.12.2018 adjusted	31.12.2018 reported
Interest and similar income	6.1	4,257,821	4,110,211	4,068,096
Interest and similar expenses	6.1	(1,919,914)	(1,840,295)	(1,840,295)
Commissions (income)	6.2	2,655,085	2,732,244	2,689,251
Commissions (expenses)	6.2	(316,478)	(287,386)	(225,378)
Net gains or losses on financial instruments at fair value through profit or loss	6.3	110,278	26,591	25,419
Net gains and losses on financial instruments at fair value through OCI	6.4	125,705	340,716	341,760
Net gains or losses resulting from the derecognition of financial assets at amortised cost	6.5	321,934	-	-
Net gains or losses resulting from the reclassification of financial assets from amortised cost to fair value through profit or loss		-	-	-
Gains or losses resulting from the reclassification of financial assets from fair value through other comprehensive income to fair value through profit or loss		-	-	-
Net income from insurance activities		-	-	415,299
Income from other activities	6.6	1,343,562	1,229,474	259,856
Expenses from other activities	6.6	(910,303)	(756,643)	(179,096)
Impacts of the overlay approach (gross impact)	7	(20,581)	15,023	15,023
Net banking income		5,647,109	5,569,936	5,569,936
General operating expenses	6.7	(4,440,566)	(4,418,494)	(4,418,494)
Net depreciation and amortisation and impairment of tangible and intangible fixed assets		(251,440)	(196,516)	(196,516)
Gross operating income		955,103	954,926	954,926
Cost of credit risk	6.8	(178,456)	(133,183)	(133,183)
Cost of the ACPR penalty		-	(50,000)	(50,000)
Operating income		776,647	771,743	771,743
Share of profits of equity associates		282,171	268,227	268,227
Net gains and losses on other assets	6.9	(159)	(637)	(637)
Changes in the value of goodwill	6.10	-	-	-
Pre-tax income		1,058,659	1,039,333	1,039,333
Income tax	6.11	(272,908)	(273,690)	(273,690)
Net income		785,751	765,643	765,643
Non-controlling interests		5,301	39,735	39,735
NET INCOME, GROUP SHARE		780,451	725,908	725,908
Undiluted earnings per ordinary share (in euros)		20.61	20.63	20.63
Diluted earnings per ordinary share (in euros)		19.85	18.74	18.74
Dividend per ordinary share (in euros)		8.72	9.28	9.28

Consolidated balance

(in € thousands)	Notes	31.12.2019	31.12.2018 restated	31.12.2018 reported
ASSETS				
Cash, central banks	5.1	22,412,492	2,006,794	2,006,794
Financial assets at fair value through profit or loss	5.2	10,904,637	10,618,753	10,238,167
Hedging derivatives	5.3	1,487,805	1,159,300	1,159,300
Financial assets at fair value through equity	5.4	15,058,569	15,996,897	13,864,449
Securities at amortised cost	5.5	28,068,011	23,581,891	23,581,891
Loans and receivables due from credit institutions and similar at amortised cost	5.6	70,634,790	87,351,923	87,351,923
Loans and receivables due from customers at amortised cost	5.7	113,628,165	95,735,985	95,735,985
Revaluation differences on rate hedged portfolios		206,913	81,915	81,915
Investments of the insurance activities and reinsurers' share of technical provisions		-	-	2,810,350
Current tax assets	5.8	363,529	343,672	343,672
Deferred tax assets	5.8	223,126	234,580	234,580
Accruals and other assets	5.9	3,314,224	3,278,561	2,981,245
Interests in equity-accounted companies	5.10	3,592,212	3,266,820	3,266,820
Property, plant and equipment	5.11	791,898	638,447	638,447
Intangible fixed assets	5.11	836,210	745,188	745,188
Goodwill	5.12	160,227	160,227	160,227
TOTAL ASSETS		271,682,809	245,200,953	245,200,953
LIABILITIES				
Central banks		-	-	-
Financial liabilities at fair value through profit or loss	5.2	1,587,291	809,214	809,214
Hedging derivatives	5.3	590,675	347,654	347,654
Liabilities due to credit institutions and similar	5.13	30,714,912	18,877,248	18,877,248
Liabilities to customers	5.14	191,015,741	185,810,952	185,810,952
Debt securities	5.15	23,739,111	16,933,918	16,933,918
Revaluation differences on rate hedged portfolios		838,638	742,855	742,855
Current tax liabilities	5.8	12,514	17,758	17,758
Deferred tax liabilities	5.8	142,305	105,564	105,564
Accruals and other liabilities	5.16	5,272,413	5,059,790	5,059,790
Insurance company underwriting provisions and shadow accounting	5.17	2,552,048	2,479,619	2,479,619
Provisions	5.18	337,265	468,767	468,767
Subordinated debt	5.19	3,096,919	3,879,757	3,879,757
Equity	5.20	11,782,976	9,667,857	9,667,857
Non-controlling interests		76,297	119,112	119,112
Equity, Group share		11,706,679	9,548,745	9,548,745
Share capital		4,631,654	4,046,408	4,046,408
Consolidated and other reserves		5,482,618	4,305,756	4,305,756
Gains and losses recognised directly in equity		811,955	470,672	470,672
Profit (loss), Group share		780,451	725,908	725,908
TOTAL LIABILITIES		271,682,809	245,200,953	245,200,953

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

(in € thousands)

	31.12.2019	31.12.2018
NET INCOME	785,751	765,643
Items recycled to profit or loss:		
Translation adjustments	-	-
Revaluation of financial assets at fair value through other comprehensive income with recycling	236,723	(419,196)
Changes in the revaluation reserve	393,839	(292,471)
Recycling to profit or loss	(157,116)	(126,725)
Revaluation of derivatives hedging items of items recycled in profit or loss	(11,659)	(146,634)
Changes in the revaluation reserve	21,891	27,737
Recycling to profit or loss	(33,550)	(174,371)
Impact of the overlay approach	20,581	(15,023)
Items from the share in gains and losses recognised directly in equity from associates*	167,973	(255,206)
Deferred taxes	(74,202)	192,893
Items not recycled in profit or loss:		
Actuarial adjustments for defined-benefit schemes	3,058	(6,072)
Revaluation of the credit risk of financial liabilities classified as fair value through profit or loss on option	(4,830)	3,279
Revaluation of equity instruments classified as fair value through other comprehensive income (excluding securities sold during the year)	16,688	17,465
Items from the share in gains and losses recognised directly in equity from associates*	(5,585)	(2,597)
Deferred taxes	184	(1,260)
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	348,931	(632,351)
NET INCOME AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	1,134,683	133,291
Of which net income and gains and losses recognised directly in equity, Group share	1,125,701	93,874
Of which net income and gains and losses recognised directly in equity, non-controlling interests	8,981	39,418

* Amounts presented net of deferred taxes.

Statement of changes in equity

(in € thousands)	Share capital ⁽¹⁾	Issue premium	Legal reserves, retained earnings and other reserves	Consolidated reserves	Perpetual subordinated securities classified in equity	Gains and losses net of taxes recognised directly in equity					
						Actuarial adjustments	Conversion reserves, Changes in the fair value of financial instruments ⁽²⁾	Profit (loss), Group share	Equity, Group share	Equity, non-controlling interests	Total consolidated equity
Equity under IFRS (IAS 39) at 31 December 2017	4,046,408	16,719	1,819,680	2,209,039	-	(27,346)	1,156,289	763,699	9,984,488	109,064	10,093,552
Effect of the entry into force of IFRS 9	-	-	-	(113,506)	-	-	(26,210)	-	(139,716)	780	(138,937)
Appropriation of 2017 net income	-	-	526,673	237,026	-	-	-	(763,699)	-	-	-
Equity under IFRS (IFRS 9) at 1 January 2018	4,046,408	16,719	2,346,353	2,332,559	-	(27,346)	1,130,079	-	9,844,772	109,843	9,954,615
Distribution ⁽⁴⁾	-	-	(343,769)	(64,000)	-	-	-	-	(407,769)	(1,093)	(408,862)
Capital increase	-	-	-	(0)	-	-	-	-	(0)	8,646	8,646
Sub-total of movements related to shareholder relations	-	-	(343,769)	(64,000)	-	-	-	-	(407,769)	7,553	(400,217)
Changes in gains and losses recognised directly in equity	-	-	-	-	-	-	(368,874)	-	(368,874)	(432)	(369,306)
2018 gain (loss)	-	-	-	-	-	-	-	725,908	725,908	39,735	765,643
Sub-total	-	-	-	-	-	-	(368,874)	725,908	357,034	39,303	396,337
Effect of acquisitions and disposals on non-controlling interests	-	-	-	(48)	-	-	-	-	(48)	(2,816)	(2,864)
Share in the changes in equity of equity associates	-	-	0	(4,230)	-	(2,524)	(255,144)	-	(261,897)	-	(261,897)
Other changes	-	-	2	22,171	-	(5,487)	(33)	-	16,653	(34,771)	(18,118)
IFRS equity at 31 December 2018	4,046,408	16,719	2,002,586	2,286,452	-	(35,357)	506,029	725,908	9,548,745	119,112	9,667,857
Appropriation of 2018 net income	-	-	124,887	601,021	-	-	-	(725,908)	0	(0)	0
Distribution ⁽⁴⁾	-	-	(326,528)	(29,155)	-	-	-	-	(355,683)	(10,757)	(366,440)
Capital increase ⁽⁵⁾	585,246	214,754	-	-	-	-	-	-	800,000	-	800,000
Issues/Redemptions and remuneration of subordinated securities equity instruments ⁽⁶⁾	-	-	-	-	744,000	-	-	-	744,000	-	744,000
Sub-total of movements related to shareholder relations	585,246	214,754	(201,641)	571,866	744,000	-	-	(725,908)	1,188,317	(10,757)	1,177,560
Changes in gains and losses recognised directly in equity	-	-	-	-	-	-	180,582	-	180,582	3,680	184,262
2019 gain(loss)	-	-	-	-	-	-	-	780,451	780,451	5,301	785,751
Sub-total	-	-	-	-	-	-	180,582	780,451	961,033	8,980	970,013

(in € thousands)						Gains and losses net of taxes recognised directly in equity					
	Share capital ⁽¹⁾	Issue premium	Legal reserves, retained earnings and other reserves	Conso- lidated reserves	Perpetual subor- dinated securities classified in equity	Actuarial adjust- ments	Conversion reserves, Changes in the fair value of financial instruments ⁽²⁾	Profit (loss), Group share	Equity, Group share	Equity, non- controlling interests	Total consolidated equity
Effect of acquisitions and disposals on non-controlling interests	-	-	-	(48)	-	-	-	-	(48)	45	(3)
Share in the changes in equity of equity associates	-	-	-	7,806	-	(5,585)	167,973	-	170,194	-	170,194
Other changes ⁽³⁾	-	-	7	(159,977)	96	2,148	(3,835)	-	(161,561)	(41,084)	(202,645)
IFRS equity at 31 December 2019	4,631,654	231,473	1,800,952	2,706,098	744,096	(38,793)	850,749	780,451	11,706,679	76,297	11,782,976

(1) At 31 December 2019, La Banque Postale's capital consisted of 40,275,255 shares with a nominal value of €115.

(2) The gains and losses recognised directly in equity include translation reserves from foreign subsidiaries consolidated by the CNP Assurances and AEW SA groups.

(3) The other changes come primarily from puts on minority interests with an impact of -€165 million on Group equity and -€40 million on minority interests. The other changes include IFRS 16 impacts which are detailed in "Note 3 "Effects of the application of IFRS 16 on 1 January 2019".

(4) Of which €29 million during 2019 corresponding to the payment of the coupon on the bond issued.

(5) See the Note "Highlights of the year, 1.2 Conversion of AT1 bonds to shares".

(6) See the Note "Highlights of the year, 1.3 Bond issue Additional Tier 1".

Net cash flow statement

The cash flow statement is presented using the indirect method model.

Investment activities represent cash flows for the acquisition and disposal of interests in consolidated companies as well as of tangible and intangible fixed assets.

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

Operating activities include those cash flows that fall outside the two previous categories. In particular, securities corresponding to strategic investments included in the “financial assets at fair value through other comprehensive income” and “securities at amortised cost” portfolio.

(in € thousands)	31.12.2019	31.12.2018
Pre-tax income	1,058,659	1,039,333
+/- Net depreciation and amortisation of tangible and intangible fixed assets	263,791	195,506
- Changes in goodwill and impairment of other non-current assets	(120)	984
+/- Net provisions and impairment charges	(7,071)	83,387
+/- Share of profits of equity associates	(282,171)	(268,227)
+/- Net losses/gains on investment activities	159	637
+/- Other movements	(288,007)	15,995
= Total of non-monetary items included in net income before taxes and other adjustments	(313,419)	28,282
+/- Flows from credit institution transactions	13,592,647	6,922,234
+/- Flows from customer transactions	(17,707,827)	(9,712,751)
+/- Flows from other transactions impacting financial assets or liabilities	8,578,412	5,987,388
+/- Flows from other transactions impacting non-financial assets or liabilities	356,776	107,373
- Taxes paid	(248,404)	(194,016)
Net increase (decrease) in assets and liabilities from operating activities	4,571,604	3,110,228
Total net cash flow generated from operating activities (A)	5,316,845	4,177,843
+/- Flow from financial assets and interests	(248,497)	125,976
+/- Flow from tangible and intangible fixed assets	(293,349)	(330,906)
Total net cash from investment activities (B)	(541,846)	(204,930)
+/- Cash flow from or to shareholders	377,560	(400,217)
+/- Other cash flows from financing activities	(40,914)	-
Total net cash flow from financial transactions (C)	336,646	(400,217)
Net increase (decrease) in cash and cash equivalents (A+B+C)	5,111,644	3,572,697
Cash and cash equivalents at opening	16,494,097	12,921,400
Cash, central banks (assets and liabilities)	2,006,795	3,324,831
Accounts (assets and liabilities) and overnight borrowing and lending with credit institutions	14,487,302	9,596,569
Cash and cash equivalents at closing	21,605,741	16,494,097
Cash, central banks (assets and liabilities)	22,412,492	2,006,794
Accounts (assets and liabilities) and overnight borrowing and lending with credit institutions	(806,751)	14,487,303
CHANGE IN NET CASH	5,111,644	3,572,697

5.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 LEGAL AND FINANCIAL FRAMEWORK

1 Highlights of the year

1.1.1 Buyout of minority holders of La Banque Postale Financement

On 1 March 2019, taking into account the results as at 1 January 2019, La Banque Postale acquired Société Générale's 35% holding in La Banque Postale Financement. It now holds 100% of the capital of the company which is already fully consolidated. This acquisition involved the purchase of 154,000 Société Générale shares for €376 million with no impact on equity because a put debt on minority shareholders was already recognised in La Banque Postale's accounts on 31 December 2018 in the same amount.

1.1.2 Conversion of AT1 bonds to shares

La Banque Postale increased its equity by €800 million on 27 May 2019 following the conversion into shares of AT1 bonds issued in 2013, held entirely by La Poste. This conversion resulted in the subscription of 5,089,102 new shares in the total nominal amount of €585,246,730. The issue premium was €214,753,270. La Banque Postale's share capital is now €4,631,654,325, consisting of 40,275,255 shares of €115 each, fully paid up.

1.1.3 Creation of a major public financial unit

As part of the joint La Poste and Caisse des dépôts project for the creation of a major public financial unit, a memorandum of understanding between the government, Caisse des dépôts, La Poste and La Banque Postale was signed on 31 July 2019.

The creation of this public financial unit is intended to strengthen territorial cohesion and combat the regional divide throughout Metropolitan France and the overseas territories via La Poste and Caisse des dépôts, proximity services operators serving citizens.

The implementation of the project should be finalised during the first quarter of 2020 through the transfer of both CDC and the French State's respective stakes of 1.1% and 40.9% in the capital of CNP Assurances to La Poste, and then by the latter to La Banque Postale. Groupe CNP Assurances is a leading personal insurance provider in France, Europe and Brazil.

On completion of the transaction, Groupe La Poste, including La Banque Postale, will be fully consolidated by the Caisse des dépôts. The CNP Assurances Group, currently equity consolidated, will be 62.1% fully consolidated by La Banque Postale.

1.1.4 Additional Tier 1 bond issue

La Banque Postale issued its first Additional Tier 1 bond in the amount of €750 million on 14 November 2019. The instrument issued is a perpetual bond, which can be called after 7 years, with a semi-annual fixed coupon of 3.875% and has been classified in equity instruments.

1.1.5 Memorandum of understanding between La Banque Postale Assurances IARD

La Banque Postale and Groupe Groupama signed a non-binding MoU on 19 December 2019 for the acquisition by La Banque Postale of the 35% stake held by Groupama in La Banque Postale Assurances IARD. As a result, La Banque Postale recognised a debt of €170 million for a put option on minority shareholders. The operation should take effect in first half of 2020, subject to receiving the required authorisations from the competent regulatory authorities. It will not have an impact on the scope of consolidation, since the company is already full consolidated.

1.1.6 CNP highlights

Signature of an amendment to the MoU of 29 August 2018 between CNP Assurances and Caixa Seguridade

On 20 September 2019, CNP Assurances announced that it had completed discussions with Caixa Seguridade about their new exclusive distribution agreement in the Caixa Econômica Federal network in Brazil and signed an amendment to the MoU of 29 August 2018. The main changes in the amendment are as follows:

- ▶ CNP Assurances will benefit from a five-year extension to the exclusive distribution agreement, i.e. until 13 February 2046 (instead of 13 February 2041);
- ▶ CNP Assurances will retain a higher financial stake until December 2020 (51.75% against 40%) for the scope of the agreement of 29 August 2018 (retirement, personal risk insurance, consumer credit);
- ▶ CNP Assurances will retain all of its other activities, with no early termination, until the end of the current operation agreement (14 February 2021) through its subsidiary Caixa Seguros Holding;
- ▶ CNP Assurances will pay an amount increased from \$4.65 billion to \$7.0 billion in December 2020. In addition, the amendment provides for overperformance incentive mechanisms in terms of volumes and profitability over the first five years in the form of additional payments capped at \$0.8 billion Group share in value at 31 December 2020.

The completion of the transaction is subject to conditions precedent, notably the approval of the regulatory authorities competent in prudential and competition matters. Subject to receiving the authorisations, the operation should close between 15 and 31 December 2020.

CNP Assurances becomes a 100% shareholder of its subsidiary CNP Insurance Holdings

On 7 October 2019, CNP Assurances acquired the 49.9% stake of the Bank of Cyprus in CNP Cyprus Insurance Holdings, a 50.1% subsidiary of CNP Assurances since the end of 2008. The acquisition price was €97.5 million.

Sale of the current head office

On 7 October 2019, CNP Assurances proceeded with the sale of its head office in Paris-Montparnasse for €299.4 million. The sale included price adjustment mechanisms, both downward and upward, based on changes in the situation of the building.

CNP Assurances will remain in the building under a short-term occupancy agreement until the delivery date of the property under construction in Issy-les-Moulineaux, where CNP Assurances will set up its head office.

Extension of the duration of commercial partnerships with Group BPCE

On 19 December 2019, Groupe BPCE and CNP Assurances signed, with an effective date of 1 January 2020, the extension agreements for the agreements entered into between BPCE/Natixis and CNP Assurances in 2015, extending their term from 31 December 2022 to 31 December 2030, thereby confirming CNP Assurances' multi-stakeholder model.

The agreements notably provide for the split of the coinsurance of the collective borrowers' insurance to 50%-50% between Natixis Assurances (BPCE Vie and BPCE Prévoyance) and CNP Assurances and reinsurance by CNP Assurances of 34% of the individual insurance of the borrowers underwritten by BPCE Vie.

1.2 Post balance sheet events

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

NOTE 2

PRINCIPAL VALUATION AND PRESENTATION RULES APPLYING TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, La Banque Postale Group has since 1 January 2007 prepared its consolidated financial statements under International Financial Reporting Standards (IFRS) as approved by the European Union. More specifically, the Group has chosen to apply the provisions of European Commission Regulation No. 2086/2004 by adopting IAS 39, with the exception of certain provisions. This European regulation therefore allows certain macro-hedging transactions carried out as part of asset and liability management (including notably customer sight deposits) to be treated as fair value hedges.

The full set of standards adopted in the European Union can be consulted on the European Commission's website at the following address:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_fr

La Banque Postale Group also applies regulation ANC 2016-09 of 2 December 2016, which transposes into French law some of the provisions of European Directive 2013/34 relating to the transactions to be mentioned in the notes to the consolidated financial statements in accordance with international standards.

The consolidated financial statements are presented in thousands of euros.

Presentation of the financial statements

In the absence of a model imposed by the IFRS framework, the Group used the format of summary statements proposed by recommendation No. 2017-02 of 2 June 2017 of the French accounting standards authority (Autorité des normes comptables – ANC). Since June 2019, the Group changed the option previously selected for the presentation of its insurance business. As a result,

the investments of insurance activities are no longer presented on a separate line item of the balance sheet nor is the net income from insurance activities on a separate income statement line. This information is provided in detail in the special note on insurance activities.

2.2 Standards and interpretations applied by the Group from 1 January 2019

Compared with the consolidated financial statements as at 31 December 2018, the Group implemented the following standards and interpretations, with mandatory application within the European Union from 1 January 2019:

Standards and interpretations	Date adopted by the EU
IFRS 16 – Leases	31 October 2017
Amendments to IFRS 9 – Prepayment Features with Negative Compensation	22 March 2018
IFRIC 23 – Uncertainty over income tax treatments	23 October 2018
Amendment to IAS 28 – Long-term Interests in Associates and Joint Ventures	8 February 2019
Amendments to IAS 19 – Remeasurement at a plan amendment, curtailment or settlement	13 March 2019
IFRS annual improvements 2015-2017 cycle	14 March 2019
Amendment to IFRS 9, IAS 39 et IFRS 7 – Reform of the benchmark interest rates	15 January 2020

* Already applied early at 31.12.2018.

- The impacts of the first application of IFRS 16 are detailed in Note 3. At its meeting of 26 November 2019, the IFRS IC confirmed the approach to take with respect to the duration of the lease to keep on its indefinite contracts which can be terminated subject to a notice period by the lessor and/or the lessee. The reasonably certain duration of the contract needs to be assessed, taking into account the penalties based on a financial rather than a legal approach. Therefore, as long as one of the parties has a financial incentive not to terminate the contract (*i.e.* they will incur a significant penalty in the event of termination), the contract is enforceable. La Banque Postale is currently reviewing the durations of the leases and will apply the decision in 2020. At this point, nothing which might call into question the durations has been identified;
 - The interpretation of IFRIC 23 – Uncertainty over Income Tax Treatments was published on 7 June 2017 for application on 1 January 2019. IFRIC 23 clarifies IAS 12 – Income Taxes and applies to the valuation and recognition of tax risks linked to uncertainties about the income tax treatments selected by the entity for the determination of income tax. No significant impact has been identified with respect to the first application of the interpretation;
 - The amendments to IAS 19 are applicable to the changes, reductions and liquidations of defined benefits schemes. In this case, IAS 19 already required the updating of actuarial assumptions and the revaluation of net (liabilities) or assets for defined benefits. These amendments clarify the fact that a company must use these updated actuarial assumptions to assess the cost of current services and the net interest for the defined benefits;
 - As part of its annual IFRS improvements procedure (2015-2017 cycle), the IASB provided a clarification on IAS 12 – Income Taxes, confirming that the income tax consequences of dividends are to be recognised in profit or loss unless they result from transactions recognised elsewhere or if they were generated by a business combination. The La Banque Postale Group reviewed the origin of the transactions that generated the distributions of profits on its equity instruments and concluded that the distributions were solely from profit or loss;
 - The other applicable standards and interpretations at 1 January 2019 did not have a significant impact on the La Banque Postale Group's accounts at 31 December 2019.
- In addition, the Group applied the amendment to IFRS 9, IFRS 39 and IFRS 7 on the "Reform of benchmark interest rates" in advance of the order of 31 December 2019. Within the framework of the new regulation on benchmark interest rates intended to replace the IBOR interbank rates with new rates, the IASB published an amendment to IFRS 9, IFRS 39 and IFRS 7 in September 2019 which will call the "IBOR amendment of September 2019". The amendment was passed by the European Commission on 15 January 2020 and will be compulsory as of 1 January 2020.
- The amendment provides for the application of exemptions, notably with respect to the evaluation of the effectiveness of hedge relationships. The goal is to not to disqualify hedge relationships based solely on uncertainties about maturity and the benchmark rate transition methods as long as the old rates are not eliminated and the contracts are not modified. The amendment is applicable until the uncertainties about flows disappear or the hedge relationship is terminated. The scope of application of the amendment, the stakes and hedging derivatives in question are detailed in Note 4.3 on hedge accounting.

2.3 Standards and interpretations not yet applied

The IASB and IFRS IC have issued standards and interpretations that were not compulsory as at 31 December 2019. Standards or interpretations published by the IASB but not yet adopted by the European Union will be mandatory only once they have been adopted.

Standards and interpretations	Date adopted by the EU	Effective date ⁽¹⁾
IFRS 17 – Insurance contracts	Not adopted	1 January 2022 ⁽²⁾
Amendments to the conceptual framework in IFRS	29 November 2019	1 January 2020
Amendments to IFRS 3 – Business Combinations	Not adopted	1 January 2020
Amendments to IAS 1 and IAS 8: – Definition of Material	29 November 2019	1 January 2020

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

(2) A deferral was granted for application from 01.01.2022 instead of 01.01.2021 as initially planned.

IFRS 17 – Insurance contracts was published by the IASB on 18 May 2017. It is set to apply from 1 January 2022, following the deferral granted in November 2018 and subject to adoption by the European Union.

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The general model of measuring the value of insurance contracts under liabilities is the "Building Blocks Approach" (BBA), which consists of the sum of three components:

- insurance contracts are measured at the present value (discounted future cash flows);
- a risk adjustment to allow for the uncertainty involved in these future flows;

- a contractual service margin, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period.

IFRS 17 also proposes two other approaches: a simplified approach, the Premium Allocation Approach (PAA), and an approach that is an adaptation of the general model called the Variable Fee Approach (VFA), which is mandatory for direct participating contracts.

In 2018, the project to implement IFRS 17 primarily involved analysing the standard and carrying out an assessment that aimed to identify the different impacts of the standard and works to be carried out. A scoping study was initiated in September 2019. Its purpose was to identify the main stakes at play in the application of the standard in financial terms and with respect to the accounting closing process and the adaptation of information systems for La Banque Postale Group assurance companies.

2.4 Principles used in preparing the consolidated financial statements

2.4.1 Determining the scope of consolidation

The consolidated financial statements include the financial statements of La Banque Postale, the consolidated financial statements of the sub-groups and the financial statements as at 31 December 2019 of subsidiary companies and holdings controlled or significantly influenced by La Banque Postale, when such consolidation has a significant impact on the overall consolidated financial statements. Entities that are excluded despite meeting the control criteria are left out when they are considered not significant with respect to three non-cumulative criteria, corresponding to a percentage expressed on the balance sheet, of net banking income or of net income, as well as in view of their multi-year financial histories.

2.4.2 Consolidation methods

The scope of voting rights taken into consideration when assessing the nature of the control exerted by the Group includes the existence and effect of potential substantive voting rights, such as potential voting rights that could be exercised to make a decision pertaining to relevant activities at the next General Meeting.

The consolidation methods are applied according to the nature of the control exercised by La Banque Postale on the entities.

Structured entities and subsidiaries controlled by the Group are fully consolidated.

A structured entity is created specifically to manage a transaction or group of similar transactions and designed to ensure that voting rights or similar voting rights are not decisive in establishing the control of the entity. They are consolidated when they are substantially controlled by the Group, even if there is no equity link.

In accordance with IFRS 10, analysis of the control is identical to that conducted for a subsidiary.

The control exercised over a subsidiary or a structured entity is assessed based on the following three criteria:

- ▶ the power to direct the key activities of the subsidiary, for example through voting rights or other rights;
- ▶ the exposure or rights to variable returns generated by the subsidiary; and
- ▶ the capacity to allocate these returns *via* the power exercised over the subsidiary.

Joint arrangements in which the Group exercises joint control with other partners are accounted for using the equity method in the case of a joint venture, or consolidated proportionally to the share of interests held in the case of a joint operation.

The Group exercises joint control over a joint arrangement when decisions concerning the entity's relevant activities contractually require the unanimous consent of all partners.

A joint venture is a joint arrangement in which each partner has an entitlement to a share of the entity's net assets.

A joint operation is a joint arrangement in which the partners have direct rights to the entity's assets and obligations for its liabilities. A joint operation is consolidated according to the share of assets, liabilities, income and expenses controlled by the Group.

Companies over which the Group has a significant influence are accounted for using the equity method.

Significant influence is defined as the power to participate in the financial and operating policies of a subsidiary without having control of it. This influence may notably stem from representation on the subsidiary's management or supervisory bodies, involvement in strategic decisions, the existence of significant inter-company operations, the exchange of management staff, or from technical dependency. Control is assumed to exist from the moment that the Group holds at least 20% of the voting rights, either directly or indirectly.

2.4.3 Consolidation rules

Restatements and eliminations

The restatements and reclassifications required for the financial statements of all consolidated subsidiary companies to comply with the Group's accounting principles are made.

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

Conversion of the financial statements of foreign subsidiaries

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

Income and expenses in the income statement are converted at the average exchange rate for the period.

Translation differences arising from changes in the exchange rates applied to equity capital, reserves and net income are entered under "Unrealised or deferred gains and losses – Translation adjustments".

When the Group prepared its first consolidated financial statements according to IFRS, it made use of the option provided by IFRS 1 to transfer the cumulative translation adjustments as at that date to the consolidated reserves. This option only applied to the foreign entities of the CNP Assurances Group, which became the first to adopt IFRS in financial year 2005. In the event that these entities are subsequently sold, the sale proceeds will only include the reversal of translation adjustments generated from 1 January 2006 onwards.

Business combinations

Business combinations prior to 1 January 2010 were treated by the Group using the acquisition method, according to the provisions of the initial version of IFRS 3.

Business combinations since 1 January 2010 are handled by the Group based on the acquisition method, in accordance with revised IFRS 3. Business combinations prior to 1 January 2010 were not restated to reflect the implementation of revised IFRS 3, which is prospectively applied.

The cost of acquisition is defined as the total fair value cost on the date of acquisition of the assets acquired, the liabilities transferred, and the equity instruments issued in exchange for control over the acquired company. Any price adjustments are included in the acquisition cost at their estimated fair value on the acquisition date, and revalued on each reporting date, with subsequent adjustments recognised in the income statement.

The identifiable assets, liabilities and contingent liabilities of the purchased entities are recorded at their fair value on the acquisition date. The contingent liabilities of the acquired entities are only recognised on the consolidated balance sheet if they represent an actual obligation at the time of the combination, and if their fair value can be estimated on a reliable basis.

Non-controlling interests may, at their acquisition date, be valued either at fair value or at their proportional share of the fair value of the identifiable assets and liabilities of the acquired entity. The choice between these two methods is made for each business combination.

Costs that are directly attributable to the business combination transaction represent a separate transaction and are recorded under profit and loss.

The positive difference between the sum of the entity's acquisition cost, non-controlling interests and the fair value of any previously held share, and the revalued net assets is recorded as an asset in the consolidated balance sheet under "Goodwill"; any negative difference is immediately allocated to profit and loss.

Analyses required for the initial valuation of these items and any potential adjustments may be carried out within a period of 12 months from the acquisition date.

Goodwill is retained on the balance sheet at historical cost in the reference currency of the subsidiary acquired, and is converted at the official exchange rate at the reporting date.

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

When the recoverable value of the underlying asset, defined as the higher of the market value or value in use of the underlying asset concerned, is lower than its carrying amount, an irreversible impairment is charged to the income statement.

The carrying amount of goodwill for associates is included in their valuation using the equity method.

In cases where non-controlling interests are acquired in a subsidiary that is already controlled, additional goodwill corresponding to the difference between the total acquisition cost of the additional stake and the Group's share in the net assets acquired is deducted from equity if positive, and recognised as an increase in equity if negative. Likewise, a transaction resulting in a decrease in the percentage of the Group's interest in an entity over which it retains exclusive control is recognised within equity.

At the time an entity is taken over, any share previously held in it is revalued at its market value and booked to the income statement.

Repurchase commitments granted to minority shareholders of fully consolidated subsidiaries

Non-controlling interests are stakes that do not give the Group control and include instruments that represent a share of ownership interests that grant the right to a share of net assets in the event of liquidation, and other equity instruments issued by the subsidiary and not held by the Group.

In their current wording, IFRS 10 – Consolidated Financial Statements and IAS 32 – Financial Instruments: Presentation lead the Group to recognise a debt with respect to commitments to purchase non-controlling interests, offset by a reduction in non-controlling interests. The Group has chosen to deduct from equity the difference between the amount of the commitment and the non-controlling interests offsetting the debt.

Subsequent movements are recognised under reserves, Group share.

The share of net income attributable to minority shareholders who hold purchase options is shown under "Non-controlling interests" in the consolidated income statement.

Consolidation of the insurance activities

The financial assets and liabilities of insurance activities that are fully consolidated are measured and recognised according to IFRS 9 and presented using the overlay method.

Pending the future IFRS 17 insurance standard, the subsidiaries continue to apply IFRS 4 to the following contracts:

- ▶ insurance policies that include a contingency clause for the policy holder. This category covers personal risk contracts, pensions, property damage and unit-linked savings policies with a guaranteed floor;
- ▶ financial contracts issued by the insurer that include a discretionary profit-sharing clause.

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

The financial contracts covered by IFRS 9 are investment contracts with no discretionary profit sharing: unit-linked savings policies with no euro-denominated underlying or minimum guarantee.

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

On each reporting date, the Group's fully-consolidated insurance companies implement a liability adequacy test which checks that the recognised insurance liabilities, net of deferred acquisition costs and associated intangible assets, are adequate, using current estimates of future cash flows arising from insurance policies and financial policies with discretionary profit-sharing.

Technical and mathematical provisions

Technical provisions represent commitments to policyholders.

- ▶ Mathematical provisions for euro-denominated policies correspond to the difference between the present value of the insurer and the policyholder's commitments.

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

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

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

Contractual equalisation reserves are established to meet the exceptional costs relating to transactions covering natural hazard risks, atomic risks, civil liability risks due to pollution, space risks, risks related to air transport, and risks related to terrorism and terrorist attacks.

- Other reserves include reserves for outstanding claims. These reserves are valued on the basis on the estimated value of foreseeable expenses net of any recoveries.

Deferred participating assets

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

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

The amount of the net deferred share in profits established by shadow accounting is recognised either in balance sheet liabilities (net deferred participating liabilities) or assets (net deferred participating assets) depending on the situation of the entity concerned.

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

under a high number of economic scenarios using a stochastic approach.

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

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

2.4.4 Sector information

The Group is divided into three separate divisions:

- the Retail Banking Unit, which includes the banking or credit institution businesses, as well as the limited property investment partnerships (SCIs) holding the operating premises;
- the Asset Management unit, which groups together the Group's UCITS management companies as well as discretionary management for wealth management clients;
- the Insurance Unit, which includes the individual and collective property and casualty, personal risk, life and health insurance companies.

The sector information in the notes to the financial statements is shown without any reallocation of shareholders' equity or return on this equity. The sector results are presented by breakdown of the internal and external income and expenditure of each sector. The tax shown is the real tax charge for each sector. Potential goodwill impairment charges are shown in the sector of the entity. Asset and liability items are shown after elimination of reciprocal transactions.

No presentation by geographical segment is provided, since the Group's business activities outside the domestic French market are not material.

2.5 Presentation and valuation rules

2.5.1 Financial assets and liabilities

2.5.1.1 General principles for the recognition of financial assets and liabilities

Initial recognition

At initial recognition, financial assets and liabilities are measured at their fair value plus or minus transaction costs directly attributable to their acquisition (with the exception of financial assets and liabilities recognised at fair value through other comprehensive income, as income or a charge at the time of initial recognition).

In practice, the fair value will more often be the disposal or transaction price of the financial instrument.

Date of initial recognition

Securities are recorded on the balance sheet at their settlement/delivery date, while derivatives are entered at their trading date. Changes in fair value between the trading date and the settlement/delivery date are recorded in profit and loss.

Loans and receivables are recorded on the balance sheet at their disbursement date.

Distinction between debt instruments and equity instruments

A debt instrument constitutes a contractual obligation to remit cash or other financial assets or to exchange instruments.

An equity instrument is a contract that shows a residual interest in the net assets of an entity, with no contractual obligation to remit cash or to exchange instruments.

2.5.1.2 Recognition of financial assets

According to IFRS 9, the classification of a financial asset is done based on the business models defined by the entity and the characteristics of its contractual cash flows (SPPI criteria).

Business models

A business model corresponds to the way a group of financial assets is collectively managed to generate income. Its objective is to best reflect how the assets in question are managed. It is identified within the Group based on objective facts that can be observed such as the analysis of the organisation of the business, its IT systems, internal reports, risk-monitoring method, or its past management decisions (past disposals, for example).

Three types of business models can be distinguished:

- ▶ “hold to collect” model: financial assets are held in order to collect contractual cash flows;
- ▶ “hold to collect and sell” model: financial assets are held in order to collect contractual cash flows and are intended for sale;
- ▶ a model specific to other financial assets, notably those held for trading.

The business model assessment requires support documentation within each of the Group’s business lines.

A change of business model is by nature very rare. Changes in business model must be decided by the management of the business lines with the approval of General Management in light of internal or external changes, which are significant with respect to the activity and can be observed by external parties. Thus, a change in business model can only correspond to the end or launch of a significant activity. This can be, for example, the disposal of a business line previously managed according to the “hold to collect” model: in this case the entity no longer markets this type of financial instrument and reclassifies all the assets concerned to a “Trading” business model.

The reclassification of debt instruments that pass the SPPI test is mandatory in the event of a change in business model and not allowed in all other cases.

This reclassification must be done prospectively, without restating the balance sheet or the income statement of previous periods.

Moreover, the reclassification must be done at the opening date of the first financial year starting after the effective date of change in the business model.

Basic lending arrangement criteria, or the “SPPI” test

The objective of the SPPI criteria is to make sure that contractual cash flow generated by the instrument consist “solely of payments of principal and interest” on the principal amount outstanding. In other words, the instrument must have the features of a “basic lending arrangement”.

The principal is defined as the fair value of the financial instrument at its initial recognition on the balance sheet.

Interest can include several components, of which:

- ▶ the compensation received for the time-value of money;
- ▶ compensation for lending risks;
- ▶ compensation for liquidity or administrative costs; and
- ▶ a profit margin.

Financial assets that meet the SPPI test are debt instruments, notably traditional loans, fixed and variable-rate bonds and commercial credit.

Financial assets that do not meet the SPPI criteria notably include debt instruments such as UCITS or structured securities.

Derivatives and equity instruments such as stocks or non-consolidated holdings by nature do not meet SPPI criteria.

Under IFRS 9, financial assets are classified in one of the four following categories:

2.5.1.2.1 Financial assets at amortised cost

Debt instruments with cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test, or basic lending arrangement criteria) are classified at amortised cost if the objective of the business model is to hold the instrument to collect the contractual cash flows.

The objective of the “Hold to collect” business model is to hold the assets over a long period or until maturity to collect the contractual cash flows. With this business model, there should be no or very few disposals. Some disposals are nevertheless authorised (disposals made due to an increase in the credit risk, disposals close to maturity, frequent but not very significant disposals, as well as isolated disposals even if significant).

Subsequent measurement of financial assets at amortised cost is done using the effective interest method and they enter into the scope of application of impairment under IFRS 9.

The effective interest rate is the rate that exactly discounts estimated future cash flows over the expected life of a financial instrument to the initial fair value of the financial asset. It includes transaction costs and ancillary income (arrangement fees, commitment fees when drawdown is deemed more likely than not, or participation fees) as well as all other premiums or discounts. It is an actuarial rate.

Within the Group, this category of financial assets includes most loans and receivables due from customers, as well as most of the securities that make up the investments of the banking activities.

2.5.1.2.2 Financial assets at fair value through other comprehensive income with recycling

Debt instruments with cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test, or basic lending arrangement criteria) are classified at fair value through other comprehensive income (OCI) with recycling if the objective of the business model is to hold the instrument to collect the contractual cash flows and to sell the assets.

At initial recognition, these assets are recorded on the balance sheet at their fair value and enter into the scope of application of impairment under IFRS 9.

This category of financial instruments has the particular feature of being recognised on the balance sheet at fair value, but to record the impacts of a valuation at amortised cost on the income statement. The changes in fair value are recorded in recyclable reserves, which ensures the two accounting methods are balanced on the balance sheet and the income statement.

This is notably the case for the recognition of impairment. The value of the asset on the balance sheet remains at fair value and is not impacted by the amount of impairment calculated. The income statement is impacted by increases (charge) or decreases (income) in the impairment amount. These movements are offset by entries in the recyclable reserves.

At the time of disposal of these securities, the underlying gains or losses previously recorded in equity are recycled to profit or loss under “Net gains or losses on financial assets through other comprehensive income with recycling”.

2.5.1.2.3 Financial assets and liabilities at fair value through non-recyclable reserves

Regarding investments in equity instruments that are not held for trading, IFRS 9 offers the irrevocable option, at the date of initial recognition of each instrument, to classify them at fair value through other comprehensive income (OCI) with no recycling.

In this case, the unrealised gains or losses recognised in other comprehensive income are not recycled to profit or loss in the event of disposal. Only any dividends associated with these securities impact the income statements. The Group chose to classify its non-consolidated holdings in this category, with the exception of the Visa securities.

Moreover, in the event of a disposal, the Group chose to reclassify in reserves at 1 January of the following year the share of reserves that cannot be recycled, corresponding to any future capital gains or losses on disposal.

2.5.1.2.4 Financial assets at fair value through profit or loss

The category “Financial assets at fair value through profit or loss” is the default category under IFRS 9.

It includes debt securities that do not meet the SPPI criteria (UCITS, for example) as well as equity instruments that are not classified as Financial assets at fair value through other comprehensive income without recycling.

Moreover, this category includes financial assets, including derivatives, that are held for trading, *i.e.* acquired or issued with the intention to sell them in the short term. Within the Group it notably includes loans to local authorities eligible for transfer to Cafil.

The changes in fair value of assets classified in this category are recorded in the income statement.

2.5.1.2.5 Impairment of financial assets

The new provisioning method defined by IFRS 9 is now based on an expected credit loss model and no longer based on incurred losses only.

IFRS 9 defines a provisioning model, applicable to all financial assets with a counterparty risk (excluding equity instruments) not revalued at fair value through profit or loss, notably all financial assets at amortised cost and at fair value through other comprehensive income with recycling. This model also applies to lease receivables, financing commitments and financial guarantee contracts.

Thus, impairments corresponding to “12-month expected credit losses” are applied to assets measured at amortised cost and at fair value through OCI with recycling at initial recognition, as long as they do not present a significant increase in credit risk. “12-month expected credit losses” correspond to total losses incurred in the event of default, weighted by the probability of default in 12 months. The assets concerned are in “Bucket 1”.

The outstanding amounts for which a significant deterioration in credit quality has been identified since their date of initial recognition must be impaired up to the amount of “lifetime expected losses”, *i.e.* over the residual life of the financial asset. Lifetime expected losses correspond to the total losses incurred in the event of default, weighted by the probability of default over the expected lifetime of the instrument. These assets belong to “Bucket 2”.

Financial assets in default are downgraded to “Bucket 3” and are impaired by the amount of lifetime expected losses.

Significant increase in credit risk

The notion of increase in credit risk is relative, not absolute. This relative approach thus implies being able to follow the change in credit quality over time.

The Group uses a certain number of indicators in order to detect possible deterioration in credit quality of a counterparty (the principles are described in Note 3).

Provisioning methods for Bucket 1 and Bucket 2

The expected credit losses correspond to the difference between the contractual cash flows that the entity has the right to receive and the cash flows that the entity expects to recover, discounted at the effective interest rate of the financial asset.

The cash flows that the entity has the right to receive take account of all the contractual modalities of the financial instrument over its expected lifetime (for example early repayment options, extension, etc.), and include cash flows from exercising contractual guarantees.

The expected credit losses are estimated based on the probability of default of the counterparty. The probability of default corresponds to the probability of the debtor defaulting over a given time period.

For Bucket 1, the time period is 12 months. For Bucket 2, the time period is the lifetime of the instrument.

Within the Group, impairment of credit is statistical (by homogeneous categories presenting similar risk characteristics), with the possibility of adjustment based on an expert’s opinion in certain particular cases, notably for loans granted to legal entities.

Furthermore, under IFRS 9, expected credit losses are determined according to a methodology that includes reasonable and justifiable information on past events, current circumstances and economic forecasts (the notion of “forward looking”).

The forward-looking component is obtained *via* an approach consisting of three modelled scenarios. Final impairment corresponds to the average weighted by the probability of occurrence of each scenario.

Defaulted loans in Bucket 3

IFRS 9 does not impose a definition of default. On the contrary, it encourages the use of a definition that is consistent with the one used by the entity as part of its risk management policy. Within the Group, an individually identified financial asset is considered defaulted when it presents a credit event that reveals financial difficulties.

The Group considers an objective indication of default to be:

- ▶ one or more missed payments overdue by more than three months;
- ▶ when an over-indebtedness plan has been requested from the Banque de France;
- ▶ legal proceedings are underway;
- ▶ receivables are considered “high-risk” with respect to its risk management policy.
- ▶ scope of home loans

The defaulted outstandings are weighted by the “best estimate of expected loss on the exposure at default” adjusted for the accounting of certain elements (notably the elimination of overweighting taken into account in risk monitoring analyses such as the impact of an economic slowdown, for example). This factor is determined according to the length of default and the type of guarantee.

In the event of reassessment of impaired home loans, provisions may be reversed fully or in part and loans removed from bucket 3 when all arrears have been paid and regular payments of the amounts corresponding to the contractual instalments have been met for a period of at least two months.

- ▶ scope of lease finance and loans to corporate customers

Within this scope, specific provisioning of the outstanding loans is tracked monthly and adjusted as necessary based on an expert opinion. An impairment is then recorded on the difference between the carrying value and the net present value of the expected cash flows, discounted at the original effective interest rate, and determined taking account of the financial position of the borrower and the present value of guarantees received. Removal from Bucket 3 can be effective following a probationary period corresponding to a period with no credit event (90 days, except for restructured debt for which the probationary period to exit from the B3 is 12 months).

The amount of the impairment is recognised in “Cost of risk” on the income statement, and the value of the financial asset is reduced through recording an impairment charge ⁽¹⁾.

Applying the contagion principle, all loans outstanding to the same beneficiary are provisioned as soon as one loan to that beneficiary is provisioned within the Group.

Debt restructuring

Restructured loans are loans for which the entity has modified the original financial conditions due to the borrower’s financial difficulties.

Restructuring operations are defined according to two main criteria:

- ▶ concessions by the bank;
- ▶ the borrower’s financial difficulties

The rate discount arising from a restructured loan is recorded under cost of risk and on the balance sheet as a deduction from the corresponding amount outstanding. It corresponds to the difference between the nominal value of the debt before the restructuring and the discounted value at the original effective rate of the new expected future flows. The discount is recognised through profit or loss in the interest margin, according to an actuarial method over the term of the loan.

Any relinquishment of the capital is directly recorded in the income statement.

2.5.1.2.6 Derecognition of financial assets

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

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

Within the Group, most loan renegotiations lead to derecognition, as contractual rights are substantially modified.

Repurchase agreements

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

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

Securities lending

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

2.5.1.3 Financial debt

2.5.1.3.1 General principle for the classification of financial debt

All financial liabilities are by default classified at amortised cost.

At the closing date, the debt is valued according to the effective interest rate and recorded in the balance sheet under “Liabilities due to credit institutions”, “Liabilities due to customers”, “Debt securities” or “Subordinated debt”, except in cases where it has been hedged at fair value.

Liabilities due to credit institutions and to customers

Liabilities due to credit institutions and liabilities to customers are broken down according to their initial maturity or the nature of the debt: sight (sight deposits, ordinary accounts) or term (special scheme savings accounts). This debt includes securities and shares given under repurchase or lending agreements.

Debt securities

Debt securities consist of negotiable debt securities issued by La Banque Postale.

Subordinated debt

Subordinated debt includes debt where repayment is only possible once other senior or secured creditors have been repaid in the event that the debtor’s assets are liquidated. This debt is valued according to the amortised cost method, except where it has been hedged at fair value.

(1) Regarding financial guarantees and financing commitments that enter into the scope of application of impairment according to IFRS 9, please refer to the sections concerned for the specific accounting treatment (provisions recorded under liabilities).

2.5.1.3.2 Financial assets and liabilities at fair value through profit or loss

Securities classified in this category correspond to financial assets and liabilities held for trading, including derivatives that are liabilities, together with assets and liabilities that the Group designated from the outset to be valued at fair value through profit or loss, in accordance with the option provided by IFRS 9, subject to meeting the following conditions:

- ▶ elimination or significant reduction in an accounting mismatch. The Group thus measures certain structured issues at fair value through profit or loss;
- ▶ group of financial liabilities for which management and performance are assessed at fair value;
- ▶ compound financial instruments containing one or more embedded derivatives not closely related.

The accounting treatment of financial liabilities for which this option is taken is the following:

- ▶ the changes in the fair value of these liabilities are recognised in profit or loss except for the part relating to the Group's own credit risk;
- ▶ the changes in fair value relating to the component that is the Group's own credit risk component is recognised in OCI with no recycling. This part thus may not be recycled to profit or loss in the event of early repayment of the debt.

2.5.1.3.3 Distinction between debt and equity: Perpetual super subordinated notes

Subordinated securities are classified as debt or equity instruments according to the analysis of their features, and more specifically according to whether or not their payout method is discretionary.

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

The subordinated bonds issued by LBP SA meet the criteria for classification as "equity instruments" and the coupons are treated as dividends that are deducted from equity. Coupon distributions corresponding to profit distributions, deferred tax assets, representing a tax savings, are recognised in profit/loss in accordance with IAS 12 and with the clarifications provided within the annual IFRS improvement procedure (2015-2017 cycle).

2.5.1.3.4 Financial liabilities with embedded derivatives

An embedded derivative is a component of a hybrid instrument. It is separated from the host contract and recorded separately when, from the beginning of the contract, its economic characteristics and the related risks are not closely linked to those of the host contract, except where the hybrid liability is valued at fair value through profit or loss. Within the Group, this category of liability notably includes structured issues (Euro Stoxx indexation).

2.5.1.3.5 Reclassification of financial liabilities

The classification of a financial liability determined at initial recognition is definitive and no subsequent reclassification is permitted.

2.5.1.3.6 Derecognition of financial liabilities

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

2.5.1.4 Financial derivatives and hedge accounting

A derivative is a financial instrument or other contract that has the following three characteristics:

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

Financial derivatives break down into two categories:

Derivatives held for trading

Derivatives belong to the category of financial instruments held for trading, except for derivatives that are used for hedging purposes. They are recognised in the balance sheet at their fair value in "Financial instruments at fair value through profit or loss". Changes in fair value and interest accrued or due are recognised in "Net gains and losses on financial instruments at fair value through profit or loss".

Hedging derivatives

IFRS 9 provides the option of deferring application of the hedge accounting provisions pending the effective date of the standard on macro-hedging. The Group chose the option to continue to apply the principles of IAS 39 to hedge accounting. With respect to macro-hedging, European Union provisions on the fair value hedging of a portfolio of interest rate items continue to apply.

Derivatives that meet the criteria defined in IAS 39 to qualify as hedging instruments are classified in the "Fair value hedges" or "Cash flow hedges" categories, depending on the circumstances. They are recognised as "Hedging derivatives" on the balance sheet. Other derivative instruments are classified as "Assets or liabilities at fair value through profit or loss" by default, even if, from an economic perspective, they have been acquired with a view to hedge one or several transactions.

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

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

Fair value hedges

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

Any revaluation of the derivative is recognised in profit or loss symmetrically to the revaluation of the hedged item. Gains or losses attributable to the hedged risk are recognised in “Net gains or losses on financial instruments at fair value through profit or loss” in the income statement. As soon as the hedge relationship becomes effective, changes in the fair value of the hedged item are symmetrical to the changes in the fair value of the hedging instrument. Any ineffectiveness of the hedge is directly recorded in the income statement. The portion relating to the accrued income or expenses on the derivative instrument is recognised in “Income and interest expense” in the income statement at the same time as the interest income and expense relating to the hedged item.

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

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

Macro-hedging

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

Macro-hedging instruments are mainly interest rate swaps designated as fair value hedges for the Group’s fixed-rate resources.

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

Cash flow hedges

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

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

The portion relating to the re-discounting of the derivative instrument is recognised in “Interest income and expense on hedging transactions” in the income statement at the same time as the interest income and expense relating to the hedged item.

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

In the event of an interruption of the hedging relationship, or if the derivative instrument no longer meets the effectiveness criteria specified by the standard, or especially if it is sold, the hedge accounting ceases. The aggregate amounts entered in equity in respect of the revaluation of the hedging derivative are gradually transferred to profit or loss as interest income and expense, or

immediately recognised in profit or loss. In the event the hedged item no longer exists, the derivative is reclassified in “Financial assets at fair value through profit or loss”, while the remeasurement of the hedged item recognised in equity is immediately recorded in profit and loss.

Foreign currency hedge of a net investment

The Group does not use this type of hedging.

2.5.1.5 Offsetting of financial assets and liabilities

A financial asset and liability are offset and a net balance is shown on the balance sheet if and only if the Group has a legally enforceable right to offset the amounts recognised, and if it has the intention either to settle the net amount or to realise the asset and settle the liability simultaneously. The legally enforceable right must be irrevocable and must be enforceable under all circumstances.

Repo transactions for which functioning principles meet both criteria required by the standard are offset on the balance sheet when:

- ▶ they relate to the same counterparty;
- ▶ they have the same maturity dates set from the outset;
- ▶ they are realised in the same currency;
- ▶ they are settled *via* a settlement/delivery system that guarantees the delivery of the securities against receipt of the associated cash;
- ▶ the securities are deposited with the same depository.

Offsetting primarily concerns securities lending transactions carried out with the LCH Clearnet clearing house.

2.5.1.6 Determining fair value or market value

IFRS 13 defines fair value as the price received for the sale of an asset or paid for the transfer of a liability in a standard transaction between market participants on the valuation date.

When an instrument is initially recognised, its fair value is generally the transaction price.

IFRS 13 recommends first using a price quoted on an active market to determine the fair value of a financial asset or liability. A market is considered to be active if prices are easily and regularly available from a stock exchange, a broker (multiple inputs), an intermediary or a regulatory agency, and if those prices represent real transactions (volume and price range) under normal competitive conditions. In the absence of an active market, the fair value must be determined using valuation techniques. These techniques include the use of recent transactions carried out under normal competitive conditions. They are based on market data, the fair value of substantially identical instruments, or on data generated from cash flow discounting or option valuation models, using recognised valuation methods. The aim of a valuation process is to establish what the price of an instrument would be under normal market conditions. For example, the fair value of bonds or variable-income securities and futures is determined using quoted prices. The use of valuation techniques that are based on market data usually concerns over-the-counter derivatives, securities where income is taxed at the source (treasury bills, certificates of deposit, etc.) and repo deposits.

Three levels of financial instruments are shown in Note 10.2, based on the decreasing level of observability of the prices and parameters used for their measurement:

- ▶ level 1: Instruments valued according to the (non-adjusted) prices quoted for identical assets or liabilities on an active market.
- ▶ This level primarily includes listed shares and derivatives on organised markets (futures, options, etc.);
- ▶ level 2: Instruments valued according to data other than the prices listed under level 1 and that can be observed for the asset or liability in question, either directly (prices) or indirectly (derivative price data).

These instruments are measured employing valuation techniques that use observable parameters and standard models or instruments that are valued based on similar instruments listed on an active market. This category includes interest rate swaps, caps, floors, etc.;

- ▶ level 3: Instruments valued using data that are not observable market data.

This category mainly includes unlisted equity investments, such as venture capital funds (FCPR) or innovation funds (FCPI).

The market value of unlisted equity investments is determined by reference to criteria such as net assets, profitability outlook and discounting of future cash flows.

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

The fair value of financial instruments recognised in the balance sheet at amortised cost is presented in Note 10.1 to the financial statements.

2.5.1.7 Guarantee commitments

Financial guarantee contracts

According to IFRS 9, a contract meets the definition of a financial guarantee if it includes an indemnity clause, according to which the issuer shall compensate the beneficiary for losses that the latter has suffered due to the default of a debtor who was specifically designated to make a payment on a debt instrument.

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

Moreover, financial guarantees given (that are not recognised at fair value through profit or loss) enter the scope of application of impairment under IFRS 9 and will be subject to a provision booked to liabilities on the balance sheet. The same bucket and provisioning methods as those described for financial assets at amortised cost or fair value through other comprehensive income with recycling are applied. The provision is offset against the cost of risk.

2.5.1.8 Financing commitments

Financing commitments that are not accounted for as derivatives are not shown on the balance sheet.

However, like for the financial guarantees given, financing commitments (that are not considered to be derivatives) enter into the scope of application of impairment under IFRS 9 and are subject to a provision booked under balance sheet liabilities.

2.5.2 Foreign currency transactions

As a reminder, according to IAS 21, monetary assets and liabilities correspond to assets and liabilities to be received or paid for a determined or determinable amount, for example a loan or basic bond. By nature, an equity instrument is a non-monetary asset.

At the closing date, monetary assets and liabilities denominated in foreign currencies at amortised cost or as other comprehensive income with recycling are converted into euros, the Group's functional currency, at the closing rate. Unrealised or realised gains and losses are recognised in the profit and loss statement.

Assets and liabilities denominated in foreign currencies at fair value through profit or loss are converted at the exchange rate at the closing date. The exchange differences related to these assets are recorded globally in the income statement with the other changes in the value of the security.

Non-monetary items denominated in foreign currencies recorded as OCI without recycling are converted at the exchange rate on the closing date. Foreign exchange gains or losses relating to these securities are recorded as OCI without recycling. In this case, in the event of disposal, the foreign exchange gains or losses cannot be recycled to profit or loss.

2.5.3 Lease contracts

All contracts, regardless of legal name, related to an identified asset whose use is controlled by the lessee qualify as lease contracts. When the isn't identified, the contract is qualified as a services provision contract.

2.5.3.1 Lease contract when the Group is the lessor

On the lessor side, leases are recognised based on whether it is a finance lease or an operating lease.

Lease transactions are classified as finance lease transactions when they substantially result in the transfer of the risk and benefits relating to the leased asset to the lessee. They are analysed as financing granted to the lessee for the purchase of an asset.

The present value of the payments due in respect of the agreement, plus the residual value, where applicable, is recorded as a receivable and is shown under customer loans and receivables on the balance sheet.

The interest included in the lease payments is recorded under Interest and similar income in the income statement.

The lease payments received are spread over the term of the lease agreement, by dividing them into amortisation of the principal and interest, so as to generate a regular and constant rate of return on the net investment. The interest rate used is the interest rate implicit in the lease contract.

Lease receivables from lease contracts are subject to impairment for credit risk as defined by IFRS 9.

The same bucket and provisioning methods as those described for financial assets at amortised cost or fair value through other comprehensive income with recycling are applied. The impairment is offset against the cost of risk.

2.5.3.2 Lease contract when the Group is the lessee

When the Group is the lessee, all lease contracts for tangible assets whose duration is greater than 12 months and for tangible assets with a new unit value of over €5 thousand are recognised in balance sheet assets *via* a usage right in counterparty for a liability representing the obligation to pay rent.

On the effective date of the contract, the lease debt is equal to the discounted value of the minimum future payments for the contract over the duration of the contract.

The payments include fixed and variable leases based on a rate or index and the amounts the lessee expects to pay as a residual value guarantee, purchase option or penalties in the event of contract termination (if the duration selected includes the exercise of the termination option). The exemptions to be received from the lessor are deducted. The VAT, including non-recoverable VAT and the property tax.

The discount rate used is either the rate implicit to the contract when it is available or the Group's marginal debt amortising rate for the duration of the contract.

The lease period corresponds to the non-cancellable duration of the contract adjusted for any options (extension or termination) the lessee is reasonably certain to exercise. The date selected is generally the duration of the lease.

The lease debt is then amortised actuarially over the lease period.

The usage right is also recognised on the effective date of the contract, within tangible fixed assets for an amount equal to the lease debt restated for pre-paid rents, the initial direct costs committed to obtain the contract (fees, right to lease, etc.) and any cost of dismantling items and putting the property back into its initial condition at the end of the lease, when specified in the contract.

It is depreciated on a straight line basis over the duration of the contract.

Deferred taxes are recognised for usage right timing differences and lease debt.

Leases for intangible assets are not handled according to IFRS 16. Leases are recognised as charges over the period covered.

2.5.4 Tangible and intangible fixed assets

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

Fixed assets are recognised at their acquisition cost plus acquisition expenses that are directly related and required to put them in working order so that they can be used.

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

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

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

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

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

- ▶ structural work: 80 years;
- ▶ roofing: 60 years;
- ▶ joinery and external works: 40 years;
- ▶ major equipment items: 20 years;
- ▶ small equipment items, fixtures and fitting: 10 years.

When they meet the criteria for fixed assets, proprietary software packages are recognised at their development cost, including third-party expenses and personnel costs for employees directly assigned to the project. They are usually amortised over a period of between three and seven years or ten years, depending on their useful life.

Fixed assets that are depreciated are subject to impairment tests in cases where evidence of a loss of value is identified at the reporting date. Fixed assets that are not depreciated are subject to impairment tests in cases where potential evidence of a loss of value is identified at the reporting date, and at least once a year.

If there is evidence of a loss of value, the recoverable value of the asset is compared with its net carrying amount. In the event of loss of value, an impairment charge is recorded in profit or loss; it changes the depreciable base of the asset prospectively. The impairment is reversed in the event of a change in the estimated recoverable value or if there are no longer any indications of impairment.

Depreciation, amortisation and impairment charges are recognised in "Depreciation, amortisation and provisions for impairment of tangible and intangible fixed assets" in the income statement.

Gains and losses on the disposal of operating fixed assets are recorded in the income statement on the "Net gains on other assets" line.

2.5.5 Special savings scheme accounts

The home loan savings accounts (CEL) and home loan savings plans (PEL) offered to individual customers under the provisions of the law of 10 July 1965 include two stages: a stage where funds are gathered in the form of remunerated savings and a stage where they are used to grant home loans.

They generate two kinds of commitments for the distributing institution:

- ▶ an obligation to remunerate future savings at a rate set at the opening of the account for an indefinite period for PEL accounts opened before 28 February 2011, and at a rate that is reviewed annually for new generation accounts;
- ▶ an obligation to grant customers who request it, a loan at a rate set on signature of the agreement.

These commitments have potentially unfavourable consequences for the Group, and are the subject of provisions recorded in balance sheet liabilities (in the "Provisions" line). Changes in these provisions are recorded in the net banking income interest margin.

The provisions are estimated on the basis of customer behaviour statistics and market data for each generation of plans, in order to cover any future expenses arising from the potentially unfavourable interest rate conditions attached to these products relative to the rates offered to retail customers on similar products for which the remuneration is not regulated. The provisions only relate to the commitments for home loan savings accounts and plans that exist at the date the provision is calculated.

Provisions are calculated for each generation of home loan savings plans, with no offsetting of commitments among the different generations, and for all the home loan savings accounts representing one generation.

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

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

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

These results are assessed relative to the rates offered to retail customers on equivalent savings and lending products and that are consistent with respect to the estimated lifespan of the deposits and date they were set up.

2.5.6 Provisions

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

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

Provisions and provision reversals are recorded in profit and loss on the lines that correspond to the nature of the future expenditure involved.

2.5.7 Investments of the insurance companies

Placements of insurance activities are not isolated on a specific line in balance sheet assets but broken down by category like the other assets of the Group. Likewise, income from insurance activities is not set apart in the income statement.

These different asset and profit/loss items are presented in a specific appendix note.

In liabilities, the item "Insurance company underwriting provisions and shadow accounting" includes:

- ▶ the technical provisions relating to insurance contracts (life, non-life);
- ▶ deferred participating reserves.

2.5.8 Interest income and expense

Interest income and expense are recognised in the income statement for all financial instruments valued at amortised cost using the effective interest rate method and financial instruments at fair value through comprehensive income. This item also includes the interest accrued and due from fair value hedging instruments for fixed-income assets that fall under the category of debt instruments recognised at fair value through OCI.

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

2.5.9 Commission income and expenses

In accordance with IFRS 15, commissions are recognised in profit or loss depending on the services provided and the way in which the financial instruments to which that service relates are recognised:

- ▶ commissions paid for ongoing services are recognised in profit and loss over the length of the service (commissions on means of payment);
- ▶ commissions paid for one-off services or for a major transaction are recognised in full in profit and loss when the service is provided or the transaction carried out (account management commissions, commissions on payment incidents);
- ▶ variable commission income cannot be recorded in profit or loss unless there is a high probability that the amounts recognised will not result in a significant downward adjustment;
- ▶ commissions treated as additional interest (credit grant commissions) are an integral part of the effective interest rate. These commissions are therefore recognised under interest income and expenses and not under commissions.

2.5.10 Cost of risk

The cost of credit risk includes:

- ▶ impairment provisions and reversals on financial assets at amortised cost and at fair value through other comprehensive income with recycling, broken down by Bucket;
- ▶ impairment provisions and reversals on finance lease receivables;
- ▶ impairment provisions and reversals relating to financial guarantee contracts and financing commitments;
- ▶ discounts on restructured loans, as well as the recovery of amortised receivables.
- ▶ losses on irrecoverable loans

2.5.11 Income tax

Tax payable

La Banque Postale and some of its French subsidiaries are part of the tax consolidation group of the La Poste Group.

Deferred taxes

Deferred tax assets are recognised on all temporary differences between the carrying amount of an asset or liability and its tax base, except in exceptional cases.

The tax rates used for valuation purposes are the rates that are expected to be applied when the asset is realised or when the liability is extinguished, to the extent that those rates have been adopted or virtually adopted at the reporting date.

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

The Group uses the losses carried forward by its subsidiaries only inasmuch as these entities demonstrate *via* a multi-year business plan their ability to use them over a set and reasonable time frame.

Deferred tax is recognised as tax income or expense in the income statement, except for tax relating to unrealised gains and losses on assets at fair value through OCI that can be recycled, and to changes in the value of derivatives classified as cash flow hedges, for which deferred tax is charged directly to equity capital.

2.5.12 Employee benefits

La Banque Postale Group provides different types of benefits to its employees, civil servants and contract staff. These benefits fall into four categories:

Short-term benefits

Short-term benefits primarily include salaries, annual paid leave, incentives, profit-sharing and bonuses that are paid within 12 months of the end of the financial year and relate to that year.

They are recorded as expenses for the financial year, including amounts still owing at year-end.

Long-term benefits

Long-term benefits are benefits that usually relate to length of service, and are paid to working employees more than 12 months after the end of the financial year, such as the “working hours savings accounts”, for example.

A provision equivalent to the value of these commitments is recorded at year end.

Termination compensation

This relates to compensation paid to employees when their work contract is terminated before retirement, whether as a result of termination or as part of a voluntary redundancy plan. A provision is recorded for termination compensation. The commitment is

valued on the basis of the entitlements earned by all working employees, mainly based on employee turnover, the estimated future salary of beneficiaries at the time they leave the Company, including social security contributions where applicable, and mortality tables (INSEE TH/TF00-02). A net present value is calculated for compensation payable more than 12 months after the reporting date.

Post-employment benefits

Post-employment benefits for employees include retirement compensation, pensions and benefits for pensioners.

The pension plan for contract staff is a scheme known as a “defined contribution scheme”. Such schemes are based on payments to independent bodies that are responsible for paying the amounts due to employees, thus releasing the employer from any subsequent obligation. Therefore, once the contributions have been paid, no liability or commitment is shown in the Group’s financial statements. Contributions paid to independent bodies are expensed in the period concerned.

A provision is recorded in balance sheet liabilities for Group employee commitments that are not covered by contributions recorded as expenses and paid to retirement or insurance funds, primarily for retirement compensation.

These commitments are valued according to the projected unit credit method, in accordance with IAS 19R. Actuarial assessments are performed every year.

The appraisal calculations involve taking third-party actuarial economic assumptions into account (discount rates, inflation rates, pension increases, etc.), together with assumptions that are specific to the Group (employee turnover rates, salary increases, etc.).

The provision recorded on the balance sheet for defined benefit post-employment schemes corresponds to the present value of the commitment at the reporting date, adjusted for actuarial gains and losses and the cost of past services that have not been recognised. Actuarial adjustments are now recognised in comprehensive income and the cost of services recorded in the income statement. The present value of the commitment is calculated on an annual basis using the projected credit unit method. It is determined by calculating the net present value of expected future outflows based on the market rate for top-tier corporate bonds, denominated in the currency in which the benefit will be paid and with a maturity that is close to the average estimated length of the underlying commitment.

The actuarial assumptions used to value employee commitments are reviewed and updated once a year at year-end.

The calculations factor in the following assumptions:

- ▶ the likelihood of working employees staying within the Group, life expectancy trends and estimated salary trends;
- ▶ retirement assumptions;
- ▶ discount rates that enable the present value of commitments to be determined. The discount rates used for the 2019 and 2018 actuarial valuations, based on private top-tier bonds, are as follows:

Commitment periods	5 years	10 years	15 years	20 years
2019 discount rate (euro zone)	0.12%	0.43%	0.67%	0.90%
2018 discount rate (euro zone)	0.6%	1.3%	1.6%	1.8%

2.5.13 Non-current assets held for sale and discontinued activities

When the Group decides to sell non-current assets or a group of non-current assets, and when it is highly probable that the sale will occur within 12 months, these assets or group of assets are shown separately on the balance sheet under “Non-current assets held for sale”. Any liabilities associated with them are also reported under a specific item, “Debts linked to non-current assets held for sale”.

In this context, the assets are no longer depreciated and are valued at the lower of their carrying amount or fair value minus disposal costs. Impairment losses on an asset or a group of assets held for sale are recognised in the income statement as an impairment that is reversible until the disposal date.

Financial instruments continue to be valued based on IFRS 9 accounting principles.

2.5.14 Use of estimates in the preparation of the financial statements

The preparation of the financial statements requires making assumptions and estimates that involve uncertainties with regard to their future accuracy. These estimates, which are based on the information available at the reporting date, call upon the judgement of managers and the parties involved in preparing the financial statements, particularly when assessing the fair value of financial instruments.

Future achievements depend on many factors: fluctuations in interest and foreign exchange rates, the economic environment, changes in regulations or legislation, etc., which means that the final outcome of the transactions concerned may differ from these estimates and have an impact on the financial statements.

The main valuation processes that require the use of assumptions and estimates:

- ▶ the valuation of financial instruments not listed on organised markets involves the use of models based on observable market

data for most OTC instruments. determining the value of certain complex instruments that are not traded on an active market is done based on valuation techniques that in certain cases rely on parameters that are deemed to be non-observable;

- ▶ determining the market value of unlisted equity investments;
- ▶ the valuation of financial assets and liabilities recognised at cost and for which fair value information must be provided in the notes to the financial statements;
- ▶ credit risk valuations: provisions calculated according to IFRS 9 make specific use of estimates of the probability of default, and general use of expert judgements (see Note 3);
- ▶ calculations relating to expenses linked to future employee benefits are based on discount rate assumptions and employee turnover and salary trend assumptions;
- ▶ the valuation of provisions other than those linked to credit risk is also, by its nature, subject to estimates, as it involves liabilities for which the maturity or amount are not precisely determined, and where it is likely or certain that there will be an outflow of funds in favour of a third party, with no compensation in an amount that is at least equivalent expected from that beneficiary. Notably, the valuation of the home savings provision uses assumptions of changes in customer behaviour based on historical observations which are not necessarily an accurate guide to the future;
- ▶ the value of goodwill recognised when there are business combinations;
- ▶ goodwill impairment tests involve a certain number of assumptions;
- ▶ assessing the effectiveness of hedges in place requires the use of assumptions and estimates of changes in the hedged risks and their impact on the hedge relationship;
- ▶ valuing commitments to buy out minority shareholders;
- ▶ determining the technical provisions of the insurance companies;
- ▶ usage right for lease contracts and lease debt.

NOTE 3

EFFECTS OF THE APPLICATION OF IFRS 16 ON 1 JANUARY 2019

IFRS 16 – Leases was adopted by the European Union on 31 October 2017, with mandatory application from 1 January 2019.

It replaces IAS 17 – Leases, as well as the associated interpretations. It defines a single model for recording lease contracts and eliminates the distinction between operating and finance leases on the lessee’s side.

According to IFRS 16, regardless of its legal form, a contract is a lease contract when an asset can be identified and the lessee controls its use.

All lease contracts imply recognition by the lessee of:

- ▶ a right to use the leased property in balance sheet assets,
- ▶ a debt in liabilities corresponding to the discounted value of the leases to be paid over the contract period.

The right to use the asset is amortised on a linear basis and the financial debt using the amortised cost method over the duration of the contract.

The new standard continues to use most of the existing IAS 17 model for lessors.

3.1 First-time application of IFRS 16 at LBP

3.1.1 Retrospective application of IFRS 16 and transition options

The application of IFRS 16 is retrospective according to IAS 8, which implies the application of IFRS 16 principles as if the standard had always been applied. However, the standard provides the choice between a fully retrospective application (including the restatement of comparative periods) or retrospective application with recognition of the impact on the date of first application.

La Banque Postale opted for retrospective application recognising the cumulative effect of first application on 1 January 2019 according to the following transition provisions:

- use of the IFRS 16 lease contract definition to determine the scope of contracts to be restated on 1 January 2019. La Banque Postale Group reassessed the nature of each contract to determine if a contract is, or contains, a lease contract as meant by IFRS 16. At 1 January 2019, the Group applied the standard to all of its contracts meeting the definition of a lease contract as meant by IFRS 16 (excluding intangible lease contracts and low-value and short-term contracts). Contracts previously defined as lease contracts may be qualified as service contracts (notably if the asset underlying the contract isn't identified) or inversely;

- the amount of the lease liability on 1 January is determined from the leases outstanding discounted at the marginal rate of indebtedness on 1 January 2019. The maturity of the rate used corresponds to the initial length of the lease;
- the asset used is valued at the lease commencement date and then amortised up to 1 January 2019. The direct costs on the effective date of the contract are not taken into account in the valuation of the asset on 1 January 2019. The difference between the amount of the assets and the amount of the lease debt on 1 January 2019 was recognised in the opening equity;
- contracts with a residual life less than or equal to 12 months on 1 January 2019 are considered to be short-term contracts.

3.1.2 Adjustment of comparative data

La Banque Postale decided to apply IFRS 16 retrospectively, recognising the cumulative effect of the first application as an adjustment to the opening balance of its reserves on 1 January 2019 and, therefore, doesn't restate the comparative information in its financial statements.

3.2 The main impacts of the adoption of IFRS 16 on 1 January 2019

3.2.1 Contracts within the scope of IFRS 16

The La Banque Postale Group chose not to apply IFRS 16 to lease contracts for intangible assets. The latter are handled in application of IAS 38 – Intangible Assets.

In addition, the La Banque Postale Group applies the exemptions provided by the standard. It does not apply the provisions of IFRS 16:

- to short-term leases of less than 12 months;
- leases whose underlying asset is of low value, *i.e.* €5 thousand in new value.

For these contracts, lease payments are recognised in expenses periodically.

As of the date of first application, all leases with a residual duration of less than 12 months were considered to be short-term contracts.

The main lease contracts at La Banque Postale Group are real estate leases.

3.2.2 Accounting impact of the first application

At 1 January 2019, the amount recognised in assets for use rights was €160.3 million and was classified with other tangible fixed assets.

The amount recognised in liabilities for the lease debt was €160 million and is classified with other liabilities.

Deferred taxes are calculated both on the use right and on the debt (they are, respectively, future taxable income and a future deductible expense).

The net impact of the differed tax on equity related to the move to IFRS 16 is not significant in the amount of €0.3 million.

NOTE 4

FINANCIAL MANAGEMENT, RISK EXPOSURE
AND HEDGING POLICY

4.1 Credit risk

4.1.1 General framework

The Group's Risks Department covers the credit risk, *i.e.* the risk incurred in the event of default by a counterparty or counterparties considered to be a same beneficiary within the meaning of EU Regulation No.575/2013 of the European Parliament and the Council relating to the prudential requirements applicable to credit institutions and investment firms (CRR).

The Executive Board sets the fundamental principles (strategic guidelines, values, appetite for risk, governance), which are approved by the Supervisory Board, and on the basis of which each business activities sets its priorities and the associated risk management system under the supervision of the Group Risk Department. These fundamental principles are reflected in the Risk Management Policy described in chapter 4 of the Universal Registration Document.

4.1.2 Significant deterioration in credit risk – the principles

4.1.2.1 Principles

La Banque Postale defines seven principles for assessing an increase in credit risk in accordance with IFRS and the guidelines of the European Banking Authority (EBA) defining the modalities for moving loans from bucket 1 to bucket 2.

Principle 1 – Monitoring of credit risk: according to IFRS 9, credit quality is assessed from the beginning of the commitment. This measurement of credit quality since initial recognition must be made at each reporting date in order to determine the classification of the asset concerned.

La Banque Postale considers that a financial instrument is classified as sensitive when there is a significant deterioration in credit quality since initial recognition (comparison of the credit quality of the asset with its situation at the date it was first recorded on the balance sheet or date of commitment for off-balance sheet instruments).

Principle 2 – Rating indicator to monitor the credit quality: the Group monitors the credit risk of each contract using a system for rating the credit quality of the counterparty. Thus, the rating of a contract at a given time is determined on the basis of the counterparty's rating at that time. At a given time, all contracts with a same counterparty have the same rating.

In order to measure a deterioration in the credit risk, the Bank uses a rating system derived from:

- ▶ the internal rating models used to manage and monitor risks; or
- ▶ a database that collects external ratings in the aim of keeping them.

The Bank's risk monitoring systems collect data on the ratings at the commencement of the contracts and keep them in order to determine a significant increase in credit risk, as well as the last known rating in order to fulfil the first principle.

When the Bank does not have rating models or systems for gathering ratings (and thus does not use ratings as data on entry into the portfolio) it can use other types of measurement. For portfolios that have an internal and/or external rating, the measurement of the significant increase in credit risk is based on the rating and may be rounded out by quantitative and/or qualitative analyses by the relevant business line.

Principle 3 – Monitoring of credit quality with the addition of a backstop: in addition to the first principle, the Bank has added an absolute threshold criteria. The approach defined by the Group combines a relative threshold and then an absolute threshold.

La Banque Postale Group's absolute threshold is based on two indicators:

- ▶ rating indicator: the absolute threshold at which the level of credit quality is considered a significant increase in credit risk is set by type of asset;
- ▶ payments past due: payments are more than 30 days past due. According to IFRS 9, payments more than 30 days past due are considered to represent a significant increase in the credit risk as they indicate a deterioration in credit quality.

Principle 4 – Use of a 12-month indicator for retail customers: the measurement of a significant increase in credit risk implies an assessment at each reporting date of the risk of default occurring over the expected life of the asset. Rather than basing the assessment on the lifetime probability of default, IFRS 9 allows for the use of a 12-month risk of default if it is a reasonable approximation to that at maturity.

Principle 5 – The notion of low credit risk: IFRS 9 allows for taking into account the notion of low credit risk at the reporting date. A financial instrument is considered to have low risk when there has been no significant increase in its credit risk since initial recognition. The notion of low credit risk can be the equivalent of a universal definition such as an investment grade rating, which according to the CRR scale would correspond to a rating of below or equal to 3. This exemption applies only to debt securities in accordance with the EBA guidelines.

La Banque Postale does not use the exemption for assets with low credit risk for its credit transactions. It is nevertheless used in the case of debt securities at the time of validation of the bucket, in accordance with principle 6.

Principle 6 – Taking into consideration qualitative information: for the portfolio excluding retail customers, the presumption of a transfer to bucket 2 requires a specific qualitative analysis to be carried out by the Watch List Committee to confirm or reject the rating indicator.

An asset that has been restructured due to the financial difficulties of the counterparty continues to be regarded as in default for a period of 12 months, and then if no default event occurs it is moved back into bucket 2 for a period of 24 months in accordance with prudential regulation.

Principle 7 – Transfer to bucket 2 before default: in accordance with IFRS 9, the Bank must determine insofar as possible the assets that have undergone a significant increase in credit risk before they default. Exceptionally, some commitments can be exempt from being moved to bucket 2 before they are recorded in default.

4.1.2.2 The process for assessing a significant increase in credit risk

The operational procedures in place enable events indicating a possible deterioration in the credit quality of a counterparty to be monitored/detected.

The criteria for classification of a commitment in bucket 2 are described by category of exposure:

- ▶ Retail customers – individuals;
- ▶ Retail customers – professionals;
- ▶ Central administrations & Central banks;
- ▶ Credit institutions;
- ▶ Corporate;
- ▶ Public sector entities.

The criteria do not represent an exhaustive list and the relevance of information must be assessed in accordance with the customer segment concerned (except for retail customers). Other events leading to a deterioration in credit quality or generating risk can be taken into consideration following an analysis carried out by the risk unit concerned.

These events are evaluated by the business units of the Group's Risk Department with good knowledge of their counterparty or the group of related parties.

The operating entities are responsible for the exposures they have generated and must detect immediately any events that indicate a deterioration in the credit quality of their customers.

Note that all assets that are not in bucket 3 or bucket 2 are classified in bucket 1. These are assets that show no significant increase in credit risk since initial recognition.

4.1.3 Provisioning – the expected credit losses (ECL) methodological approach

4.1.3.1 The notion of expected credit losses

The method of calculation of expected credit losses (ECL) must reflect the measurement of the possible amounts weighted by probability taking into account the value time of money and all available information. This methodology is described in Note 2 (Provisioning methods for Bucket 1 and Bucket 2).

12-month expected credit losses ($ECL_{12months}$):

At each reporting date, when there is no significant increase in the risk linked to a commitment since its initial recognition, the Bank measures the impairment for credit losses of this exposure as the 12-month expected credit losses of the exposure.

$ECL_{12months}$ represents the share of expected credit losses at maturity of a financial instrument following a default event that could occur within 12 months after the reporting date.

This formula applies to all commitments classified in bucket 1 that have maturity of less than one year.

Lifetime expected credit losses ($ECL_{lifetime}$):

At each reporting date, when there is a significant increase in the risk relating to a commitment since its initial recognition, the Bank measures the impairment for credit losses of this commitment as the amount of credit losses over the life of the financial instrument.

4.1.3.2 Definition of the parameters for the calculation of expected credit losses

La Banque Postale calculates ECL using three main components: probability of default (PD), loss given default (LGD) and exposure at default (EAD)

The **maturity** date refers to the date of the last payment of a loan commitment or financial instrument at which the principle loan amount and interest must be repaid or when the authorised amount or date expires.

It corresponds to the maximum contractual period including extension options, with the exception of revolving loans, credit cards and overdrafts for which a behavioural maturity must be used.

For contracts without a contractual maturity, the maximum maturity used in 12 months, as, in the case of insolvency of the debtor, the Bank revokes the overdraft allowance within a period of 12 months, in accordance with French banking law.

Revolving loans are financial instruments that do not have a set maturity date, repayment schedule or contract term. The maturity date taken into account for these instruments depends on their lifetime estimated by the Bank, which can be greater than the length of the contractual commitment. The maturity date used at the Group level is behavioural.

Probability of Default (PD): IFRS 9 introduces the notion of expected credit losses and, indirectly, that of the probability of default adjusted to the situation at the reporting date (PIT PD – Point-in-Time Probability of Default). This parameter does not correspond to the average over the cycle (TTC PD – Through-The-Cycle Probability of Default) of the prudential framework in force for the internal approach. This variable enables the probability that a commitment will go into default over a given period of time to be estimated. A “point-in-time” (PIT) probability of default estimate is based on the future and current assessment, and this parameter is linked to the customer and the product.

PIT PD is used for the portfolios for which the Group has an internal rating.

Loss Given Default (LGD): loss given default corresponds to the relation between the contractual and expected cash flows taking into account the effects of discounting and other expenses incurred at the time that an instrument goes into default. LGD is expressed as a percentage of the exposure at default.

The parameter under IFRS 9 differs from the Basel notion. In prudential terms, the loss given default is adjusted for the prudential margin, downturn effect and other costs. IFRS 9 makes no specific mention of the period of observation and collection of the historical data used for the calculation of LGD parameters. This parameter must consider the notions of forward looking and the passage of time.

The Group has opted to use modelled LGDs adjusted in accordance with IFRS 9 for portfolios that have a probability of default model based on type of product and collateral and to determine an LGD based on an expert's opinion for the other portfolios according to segment, product and type of collateral that will be revised at least once a year.

Exposure At Default (EAD): the EAD corresponds to the basis for the calculation of the expected credit loss. It is based on the value exposed to the credit risk taking into account of past information according to the type of payment schedule and expected early repayments (projected cash flows). This parameter is calculated on the amounts at the start of the reporting period.

The provisioning base corresponds to the outstanding amount on the balance sheet and off balance sheet (undrawn portion) converted to its credit exposure equivalent using the credit conversion factor (CCF).

To take into account early repayments and the passage of time, the bank applies a rate of early repayment to the calculation base of the provisioning per portfolio. This rate is reviewed periodically by the ALM team according to the change in the actual rate.

Forward Looking

In accordance with the IFRS 9 standard, expected credit losses take into account the effects of future economic conditions: forward-looking data involves a model-based approach and an approach based on an expert opinion. The Group uses three scenarios (core, favourable alternative and adverse alternative) defined by the Group's Economic Research Department. The economic forecast horizon used is three years:

- ▶ the scenarios considered are global and consistent scenarios: They are applied across the entire bank with potentially opposite impacts on certain product or customer segments, thus reflecting the diversification of the portfolio. (By way of illustration, it is not possible, in a given scenario, to use a different interest rate projection to measure the lifetime probabilities of default of retail customers and those of sovereign customers);
- ▶ the scenarios proposed are not necessarily stress test scenarios: the aim is not to seek through IFRS scenarios to quantify risks or losses in a highly adverse environment that is very unlikely to occur, but rather to look at scenarios with a probability of occurrence that differs from a standard deviation of the probability of outperformance of the core scenario.

These scenarios are documented, and contain projections for all the macroeconomic variables required to run the models developed to obtain the PDs and LGDs at the maturity date. The probability of occurrence of each scenario is subject to documentation by the bank's economists.

The system uses a significant number of models. All of the models used in the IFRS 9 system are subject to an independent review by the Model Validation team and validated by the Model Validation Committee.

4.1.4 Operating implementation

Impairment will be calculated centrally for the entire Group by the Group Risks Department teams.

4.1.5 Exposure to credit risk

a. Change in carrying amounts and allowance for credit losses over the period

Allowance for credit losses corresponds to the impairment of assets and provisioning on off-balance commitments recorded in net income (Cost of risk) for credit risk.

The different stages of impairment ("Healthy assets – Bucket 1", "Assets with deteriorated credit quality – Bucket 2" and "Impaired assets – Bucket 3") as well as the definition of impaired assets as from acquisition or creation are described in Note 4.1.2 "Significant deterioration in credit risk – the principles".

The following tables present a reconciliation of opening and closing balances of loss allowances recorded as Cost of risk and the associated carrying amounts, by accounting category and type of instrument.

The line "Modification of flows not resulting in derecognition" enables identification of the impacts on the gross carrying amount and the loss allowance relating to the restructuring of a risk over the period.

Financial assets at amortised cost

		31.12.2019		
(in € thousands)	Notes	Gross carrying amount	Allowance for credit losses	Net carrying amount
Securities at amortised cost	5.5	28,074,123	(6,112)	28,068,011
Loans and receivables due from credit institutions and similar at amortised cost	5.6	70,636,256	(1,466)	70,634,790
Loans and receivables due from customers at amortised cost	5.7	114,450,025	(821,860)	113,628,165
TOTAL FINANCIAL ASSETS AT AMORTISED COST		213,160,404	(829,438)	212,330,966

		31.12.2018		
(in € thousands)	Notes	Gross carrying amount	Allowance for credit losses	Net carrying amount
Securities at amortised cost	5.5	23,584,415	(2,524)	23,581,891
Loans and receivables due from credit institutions and similar at amortised cost	5.6	87,353,456	(1,533)	87,351,923
Loans and receivables due from customers at amortised cost	5.7	96,499,871	(763,886)	95,735,985
TOTAL FINANCIAL ASSETS AT AMORTISED COST		207,437,742	(767,943)	206,669,799

	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Impaired assets (Bucket 3)		Total		
(in € thousands)	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 2018	203,581,105	(83,540)	2,413,065	(117,271)	1,443,572	(567,132)	207,437,742	(767,943)	206,669,799
Transfers of assets during their lifetime from one bucket to another	(517,386)	2,092	292,554	9,775	224,832	(75,107)	-	(63,240)	(63,240)
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)		4,616		(48,080)		-		(43,464)	-
Returns from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)		(3,487)		47,958		-		44,471	-
Transfers from 12-month ECL (Bucket 1) to Impaired Lifetime ECL (Bucket 3)		1,283		-		(71,550)		(70,267)	-
Transfers from Lifetime ECL (Bucket 2) to Impaired Lifetime ECL (Bucket 3)		-		13,953		(50,559)		(36,606)	-
Returns from Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)		(320)		-		22,315		21,370	-
Returns from Impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)		-		(4,056)		25,312		21,256	-
Total after transfers	203,063,719	(81,448)	2,705,619	(107,496)	1,668,404	(642,239)	207,437,742	(831,183)	206,606,559
Changes in gross carrying amounts and allowances for credit losses	5,616,377	(18,123)	400,091	(42,278)	(294,363)	62,146	5,722,105	1,745	5,723,850
New production, purchase, granting, origination, etc.	41,819,829	(130,413)	937,644	(82,625)	340,766	(144,380)	43,098,239	(357,418)	-
Derecognition: disposal, repayment, maturity, etc.	(36,204,522)	112,291	(537,553)	40,347	(508,634)	116,196	(37,250,709)	268,834	-
Write-offs	-	-	-	-	(115,862)	90,159	(115,862)	90,159	-
Modification of flows not resulting in derecognition	-	-	-	-	(10,115)	-	(10,115)	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-	-
Other	1,070	(1)	-	-	(518)	171	552	170	-
Total	208,680,096	(99,571)	3,105,710	(149,774)	1,374,041	(580,093)	213,159,847	(829,438)	212,330,409
Impacts of changes in fair value of micro-hedging instruments	557	-	-	-	-	-	557	-	557
AT 31 DECEMBER 2019	208,680,653	(99,571)	3,105,710	(149,774)	1,374,041	(580,093)	213,160,404	(829,438)	212,330,966

	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Impaired assets (Bucket 3)		Total		
(in € thousands)	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 1 JANUARY 2018	185,446,738	(51,878)	4,982,169	(159,916)	1,377,335	(543,682)	191,806,242	(755,476)	191,050,766
Transfers of assets during their lifetime from one bucket to another	1,771,397	(5,810)	(2,058,853)	29,450	287,456	(57,455)	-	(33,815)	(33,815)
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)		2,234		(49,823)		-		(47,589)	-
Returns from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)		(8,234)		75,975		-		67,741	-
Transfers from 12-month ECL (Bucket 1) to Impaired Lifetime ECL (Bucket 3)		466		-		(49,314)		(48,848)	-
Transfers from Lifetime ECL (Bucket 2) to Impaired Lifetime ECL (Bucket 3)		-		16,701		(64,727)		(48,026)	-
Returns from Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)		(276)		-		19,215		18,939	-
Returns from Impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)		-		(13,403)		37,371		23,968	-
Total after transfers	187,218,135	(57,688)	2,923,316	(130,466)	1,664,791	(601,137)	191,806,242	(789,291)	191,016,951
Changes in gross carrying amounts and allowances for credit losses	16,362,956	(25,852)	(510,251)	13,195	(221,219)	34,005	15,631,486	21,348	15,652,834
New production, purchase, granting, origination, etc.	48,921,388	(49,714)	520,538	(34,712)	352,703	(167,325)	49,794,629	(251,751)	-
Derecognition: disposal, repayment, maturity, etc.	(32,557,668)	23,862	(1,009,042)	47,907	(473,987)	110,310	(34,040,697)	182,079	-
Write-offs	-	-	-	-	(113,092)	90,890	(113,092)	90,890	-
Modification of flows not resulting in derecognition	(10,596)	-	(11,917)	-	13,157	-	(9,356)	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-	-
Other	9,832	-	(9,830)	-	-	130	2	130	-
Total	203,581,091	(83,540)	2,413,065	(117,271)	1,443,572	(567,132)	207,437,728	(767,943)	206,669,785
Impacts of changes in fair value of micro-hedging instruments	14	-	-	-	-	-	14	-	14
AT 31 DECEMBER 2018	203,581,105	(83,540)	2,413,065	(117,271)	1,443,572	(567,132)	207,437,742	(767,943)	206,669,799

Financial assets at fair value through other comprehensive income with recycling

		31.12.2019	
(in € thousands)	Notes	Fair value	Of which allowance for credit losses
Debt instruments at fair value through profit or loss	5.4	14,700,359	(4,016)
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME WITH RECYCLING		14,700,359	(4,016)

		31.12.2018 Adjusted	
(in € thousands)	Notes	Fair value	Of which allowance for credit losses
Debt instruments at fair value through profit or loss	5.4	15,708,133	(3,501)
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME WITH RECYCLING		15,708,133	(3,501)

	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Impaired assets (Bucket 3)		Total	
(in € thousands)	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
AT 31 DECEMBER 2018	15,708,077	(3,487)	56	(14)	-	-	15,708,133	(3,501)
Changes in gross carrying amounts and allowances for credit losses	(1,045,415)	208	37,641	(723)	-	-	(1,007,774)	(515)
New production, purchase, granting, origination, etc.	4,747,238	-	37,418	-	-	-	-	-
Derecognition: disposal, repayment, maturity, etc.	(6,179,068)	-	(57)	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Modification of flows not resulting in derecognition	-	-	-	-	-	-	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-
Other	386,415	208	280	(723)	-	-	-	(515)
AT 31 DECEMBER 2019	14,662,662	(3,279)	37,697	(737)	-	-	14,700,359	(4,016)

	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Impaired assets (Bucket 3)		Total	
(in € thousands)	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
AT 1 JANUARY 2018	16,401,000	(1,703)	261	(93)	-	-	16,401,261	(1,796)
Changes in gross carrying amounts and allowances for credit losses	(692,923)	(1,784)	(205)	79	-	-	(693,128)	(1,705)
New production, purchase, granting, origination, etc.	8,754,401	-	1	-	-	-	-	-
Derecognition: disposal, repayment, maturity, etc.	(8,998,197)	-	(208)	-	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Modification of flows not resulting in derecognition	-	-	-	-	-	-	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-
Other	(449,127)	(1,784)	2	79	-	-	-	(1,705)
AT 31 DECEMBER 2018	15,708,077	(3,487)	56	(14)	-	-	15,708,133	(3,501)

Off-balance sheet (financing commitments and guarantee contracts)

(in € thousands)	Notes	31.12.2019		
		Gross carrying amount	Allowance for credit losses	Net carrying amount
Financing commitments and guarantee contracts	9	29,050,676	-	-
Provisions for financing commitments and guarantee contracts	5.18	-	40,237	-
TOTAL FINANCING COMMITMENTS AND GUARANTEE CONTRACTS		29,050,676	40,237	29,010,439

(in € thousands)		31.12.2018		
		Gross carrying amount	Allowance for credit losses	Net carrying amount
Financing commitments and guarantee contracts	9	27,128,025	-	-
Provisions for financing commitments and guarantee contracts	5.18	-	46,842	-
TOTAL FINANCING COMMITMENTS AND GUARANTEE CONTRACTS		27,128,025	46,842	27,081,183

(in € thousands)	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		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 2018	26,842,365	23,509	257,002	9,243	28,658	14,090	27,128,025	46,842	27,081,183
Transfers of assets during their lifetime from one bucket to another	(176,706)	(122)	167,462	(165)	9,244	(3,471)	-	(3,758)	3,758
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)		(954)		909		-		(45)	-
Returns from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)		794		(1,141)		-		(347)	-
Transfers from 12-month ECL (Bucket 1) to Impaired Lifetime ECL (Bucket 3)		(14)		-		329		315	-
Transfers from Lifetime ECL (Bucket 2) to Impaired Lifetime ECL (Bucket 3)		-		(45)		227		182	-
Returns from Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)		52		-		(3,567)		(3,515)	-
Returns from Impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)		-		112		(460)		(348)	-
Total after transfers	26,665,659	23,387	424,464	9,078	37,902	10,619	27,128,025	43,084	27,084,941
Changes in gross carrying amounts and allowances for credit losses	1,879,204	1,909	50,991	4,829	(7,544)	(9,585)	1,922,651	(2,847)	1,925,498
New production, purchase, granting, origination, etc.	11,802,292	34,497	181,642	8,373	14,208	6,267	11,998,142	49,137	-
Derecognition: disposal, repayment, maturity, etc.	(9,923,088)	(32,588)	(130,651)	(3,544)	(21,752)	(15,852)	(10,075,491)	(51,984)	-
Write-offs	-	-	-	-	-	-	-	-	-
Modification of flows not resulting in derecognition	-	-	-	-	-	-	-	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
AT 31 DECEMBER 2019	28,544,863	25,296	475,455	13,907	30,358	1,034	29,050,676	40,237	29,010,439

	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Impaired assets (Bucket 3)		Total		
(in € thousands)	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 1 JANUARY 2018	22,292,623	26,400	489,215	21,375	46,144	14,863	22,827,982	62,638	22,765,344
Transfers of assets during their lifetime from one bucket to another	(27,941)	2,264	3,729	(8,058)	24,212	2,131	-	(3,663)	3,663
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)		(684)		3,797		-		3,113	-
Returns from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)		2,963		(11,831)		-		(8,868)	-
Transfers from 12-month ECL (Bucket 1) to Impaired Lifetime ECL (Bucket 3)		(61)		-		4,178		4,117	-
Transfers from Lifetime ECL (Bucket 2) to Impaired Lifetime ECL (Bucket 3)		-		(150)		1,064		914	-
Returns from Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)		46		-		(2,659)		(2,613)	-
Returns from Impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)		-		126		(452)		(326)	-
Total after transfers	22,264,682	28,664	492,944	13,317	70,356	16,994	22,827,982	58,975	22,769,007
Changes in gross carrying amounts and allowances for credit losses	4,577,683	(5,155)	(235,942)	(4,074)	(41,698)	(2,904)	4,300,043	(12,133)	4,312,176
New production, purchase, granting, origination, etc.	13,168,601	12,337	87,916	4,263	6,603	3,047	13,263,120	19,647	-
Derecognition: disposal, repayment, maturity, etc.	(8,590,918)	(17,492)	(323,858)	(8,337)	(48,301)	(5,951)	(8,963,077)	(31,780)	-
Write-offs	-	-	-	-	-	-	-	-	-
Modification of flows not resulting in derecognition	-	-	-	-	-	-	-	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-	-
Changes in scope	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
AT 31 DECEMBER 2018	26,842,365	23,509	257,002	9,243	28,658	14,090	27,128,025	46,842	27,081,183

b. Modified financial assets

Modified financial assets correspond to assets that have been restructured due to financial difficulties. These are loans for which the initial financial conditions have been modified (interest rate, length) for economic or legal reasons related to the borrower's financial difficulties and which would not have been envisaged in

other circumstances. They thus concern assets classified in default and, since 1 January 2014, performing assets at the time of the restructuring. Note 2 "Principal valuation and presentation rules applying to the consolidated financial statements" defines them in more detail. An asset maintains the status of modified financial assets as from the restructuring event and until derecognition.

For assets that have undergone restructuring over the period, the carrying value established following the restructuring is:

(in € thousands) Financial instruments	31.12.2019		
	Carrying amount before transfer to restructuring	Amount of the discount recorded in the income statement	Gross carrying amount
Loans and receivables due from customers	113,956	(10,115)	103,841
Debt securities	-	-	-
TOTAL MODIFIED FINANCIAL ASSETS	113,956	(10,115)	103,841

(in € thousands) Financial instruments	31.12.2018		
	Carrying amount before transfer to restructuring	Amount of the discount recorded in the income statement	Gross carrying amount
Loans and receivables due from customers	91,037	(9,632)	81,405
Debt securities	-	-	-
TOTAL MODIFIED FINANCIAL ASSETS	91,037	(9,632)	81,405

Restructured assets with an impairment stage that corresponds to bucket 2 (assets for which credit quality has deteriorated) or bucket 3 (impaired assets) can be moved back into bucket 1 (performing assets) in the case of a subsequent improvement in

credit quality resulting in the assessment that there is no longer a significant deterioration in credit quality. The impairment amount is brought back to a 12-month expected credit loss.

The gross carrying amount of modified assets concerned by this reclassification during the period is:

(in € thousands) Financial instruments	31.12.2019
	Transfer to B1
Loans and receivables due from customers	17,060
Debt securities	-
TOTAL MODIFIED FINANCIAL ASSETS	17,060

(in € thousands) Financial instruments	31.12.2018
	Transfer to B1
Loans and receivables due from customers	15,291
Debt securities	-
TOTAL MODIFIED FINANCIAL ASSETS	15,291

c. Concentrations of credit risk
Concentration of the credit risk by economic agent
Financial assets at amortised cost

31.12.2019				
Carrying amount				
	Healthy assets or assets with deteriorated credit quality			Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	
(in € thousands)				
Retail customers	68,805,749	2,215,526	1,145,285	72,166,560
Administration	101,260,426	1,103	807	101,262,336
Central banks	129	-	-	129
Credit institutions	4,505,908	-	-	4,505,908
Financial companies	8,288,530	17,750	24	8,306,304
Non-financial companies	25,819,911	871,331	227,925	26,919,167
Impairments	(99,571)	(149,774)	(580,093)	(829,438)
TOTAL	208,581,082	2,955,936	793,948	212,330,966

31.12.2018				
Carrying amount				
	Healthy assets or assets with deteriorated credit quality			Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	
(in € thousands)				
Retail customers	64,678,694	2,291,737	1,210,134	68,180,565
Administration	97,558,419	2,141	30,159	97,590,719
Central banks	15,500,000	-	-	15,500,000
Credit institutions	4,107,824	-	14,845	4,122,669
Financial companies	1,592,354	9,605	342	1,602,301
Non-financial companies	20,143,814	109,582	188,092	20,441,488
Impairments	(83,540)	(117,271)	(567,132)	(767,943)
TOTAL	203,497,565	2,295,794	876,440	206,669,799

Financial assets at fair value through other comprehensive income with recycling

	31.12.2019			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
(in € thousands)				
Retail customers	-	-	-	-
Administration	4,415,307	-	-	4,415,307
Central banks	-	-	-	-
Credit institutions	8,955,933	9,733	-	8,965,666
Financial companies	178,572	-	-	178,572
Non-financial companies	1,112,850	27,964	-	1,140,814
TOTAL	14,662,662	37,697	-	14,700,359
<i>Of which impairments</i>	<i>(3,279)</i>	<i>(737)</i>	<i>-</i>	<i>(4,016)</i>

	31.12.2018			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
(in € thousands)				
Retail customers	-	-	-	-
Administration	5,407,160	-	-	5,407,160
Central banks	-	-	-	-
Credit institutions	8,961,523	-	-	8,961,523
Financial companies	85,121	56	-	85,177
Non-financial companies	1,254,273	-	-	1,254,273
TOTAL	15,708,077	56	-	15,708,133
<i>Of which impairments</i>	<i>(3,487)</i>	<i>(14)</i>	<i>-</i>	<i>(3,501)</i>

Off-balance sheet (financing commitments and guarantee contracts)

31.12.2019				
Amount of the commitment				
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
(in € thousands)				
Retail customers	10,918,597	195,803	26,402	11,140,802
Administration	5,521,806	-	-	5,521,806
Central banks	-	-	-	-
Credit institutions	1,621,422	100,000	-	1,721,422
Financial companies	2,312,374	-	-	2,312,374
Non-financial companies	8,170,664	179,652	3,956	8,354,272
Provisions ⁽¹⁾	25,296	13,907	1,034	40,237
TOTAL	28,519,567	461,548	29,324	29,010,439

(1) Expected or proven losses on off-balance sheet commitments are accounted for *via* provisions under balance sheet liabilities.

31.12.2018				
Amount of the commitment				
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
(in € thousands)				
Retail customers	10,621,426	206,544	27,689	10,855,659
Administration	6,041,649	2,700	103	6,044,452
Central banks	-	-	-	-
Credit institutions	1,579,133	1	-	1,579,134
Financial companies	2,119,907	1	-	2,119,908
Non-financial companies	6,480,250	47,756	866	6,528,872
Provisions ⁽¹⁾	23,509	9,243	14,090	46,842
TOTAL	26,818,856	247,759	14,568	27,081,183

(1) Expected or proven losses on off-balance sheet commitments are accounted for *via* provisions under balance sheet liabilities.

Exposure to credit risk – Retail by rating class

Financial assets at amortised cost

	31.12.2019			
	Gross carrying amount			
	Healthy assets or assets with deteriorated credit quality			
(in € thousands)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
PD < 1%	57,456,085	14,872	-	57,470,957
1% < PD < 3%	8,080,770	169,255	-	8,250,025
3% < PD < 10%	3,246,444	735,392	-	3,981,836
PD > 10%	22,450	1,296,007	-	1,318,457
Doubtful contracts – disputes	-	-	1,145,285	1,145,285
TOTAL	68,805,749	2,215,526	1,145,285	72,166,560

	31.12.2018			
	Gross carrying amount			
	Healthy assets or assets with deteriorated credit quality			
(in € thousands)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
PD < 1%	53,815,517	32,640	-	53,848,157
1% < PD < 3%	7,687,463	185,792	-	7,873,255
3% < PD < 10%	3,174,211	751,902	-	3,926,113
PD > 10%	1,503	1,321,403	-	1,322,906
Doubtful contracts – disputes	-	-	1,210,134	1,210,134
TOTAL	64,678,694	2,291,737	1,210,134	68,180,565

Off-balance sheet (financing commitments and guarantee contracts)

	31.12.2019			
	Amount of the commitment			
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
(in € thousands)				
PD < 1%	9,691,286	6,651	-	9,697,937
1% < PD < 3%	957,120	45,687	-	1,002,807
3% < PD < 10%	268,993	38,237	-	307,230
PD > 10%	1,198	105,228	-	106,426
Doubtful contracts – disputes	-	-	26,402	26,402
TOTAL	10,918,597	195,803	26,402	11,140,802

	31.12.2018			
	Amount of the commitment			
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
(in € thousands)				
PD < 1%	9,428,772	6,419	-	9,435,191
1% < PD < 3%	934,459	49,104	-	983,563
3% < PD < 10%	257,249	36,960	-	294,209
PD > 10%	946	114,061	-	115,007
Doubtful contracts – disputes	-	-	27,689	27,689
TOTAL	10,621,426	206,544	27,689	10,855,659

Exposure to credit risk – Corporate
Financial assets at amortised cost

	31.12.2019			
	Gross carrying amount			
	Healthy assets or assets with deteriorated credit quality			
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
(in € thousands)				
AAA	1,569,368	1,655	2,979	1,574,002
AA	9,978,443	54,207	34,384	10,067,034
A	3,392,750	5,716	326	3,398,792
Other	19,167,880	827,503	190,260	20,185,643
TOTAL	34,108,441	889,081	227,949	35,225,471

	31.12.2018			
	Gross carrying amount			
	Healthy assets or assets with deteriorated credit quality			
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
(in € thousands)				
AAA	570,120	104	4	570,228
AA	1,155,304	1,123	14,561	1,170,988
A	1,623,487	345	26,481	1,650,313
Other	18,387,257	117,615	147,388	18,652,260
TOTAL	21,736,168	119,187	188,434	22,043,789

Financial assets at fair value through other comprehensive income with recycling

	31.12.2019			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
(in € thousands)				
AAA	-	-	-	-
AA	268,174	-	-	268,174
A	289,513	-	-	289,513
Other	733,734	27,964	-	761,698
TOTAL	1,291,421	27,964	-	1,319,385

	31.12.2018			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
(in € thousands)				
AAA	1,207	-	-	1,207
AA	154,089	-	-	154,089
A	290,140	-	-	290,140
Other	893,958	56	-	894,014
TOTAL	1,339,394	56	-	1,339,450

Off-balance sheet (financing commitments and guarantee contracts)

	31.12.2019			
	Amount of the commitment			
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
(in € thousands)				
AAA	724,999	-	-	724,999
AA	2,468,933	1,409	-	2,470,342
A	2,264,870	4,570	-	2,269,440
Other	5,024,236	173,673	3,956	5,201,865
TOTAL	10,483,038	179,652	3,956	10,666,646

	31.12.2018			
	Amount of the commitment			
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
(in € thousands)				
AAA	40,070	1	-	40,071
AA	475,559	34	2	475,595
A	1,445,763	12	253	1,446,028
Other	6,638,765	47,710	611	6,687,086
TOTAL	8,600,157	47,757	866	8,648,780

Exposure to credit risk – Administration and central banks

Financial assets at amortised cost

	31.12.2019			
	Gross carrying amount			
	Healthy assets or assets with deteriorated credit quality			Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	
(in € thousands)				
AAA	2,885,809	-	-	2,885,809
AA	88,158,339	-	-	88,158,339
A	2,825,300	593	769	2,826,662
Other	7,391,107	510	38	7,391,655
TOTAL	101,260,555	1,103	807	101,262,465

	31.12.2018			
	Gross carrying amount			
	Healthy assets or assets with deteriorated credit quality			Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	
(in € thousands)				
AAA	17,625,100	-	-	17,625,100
AA	88,301,761	-	-	88,301,761
A	335,724	-	-	335,724
Other	6,795,834	2,141	30,159	6,828,134
TOTAL	113,058,419	2,141	30,159	113,090,719

Financial assets at fair value through other comprehensive income with recycling

(in € thousands)	31.12.2019			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	
AAA	805,096	-	-	805,096
AA	2,836,285	-	-	2,836,285
A	403,724	-	-	403,724
Other	370,202	-	-	370,202
TOTAL	4,415,307	-	-	4,415,307

(in € thousands)	31.12.2018			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	
AAA	1,571,688	-	-	1,571,688
AA	2,822,543	-	-	2,822,543
A	433,879	-	-	433,879
Other	579,050	-	-	579,050
TOTAL	5,407,160	-	-	5 407 160

Off-balance sheet (financing commitments and guarantee contracts)

(in € thousands)	31.12.2019			
	Amount of the commitment			
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
AAA	-	-	-	-
AA	1,146,664	-	-	1,146,664
A	3,255,675	-	-	3,255,675
Other	1,119,467	-	-	1,119,467
TOTAL	5,521,806	-	-	5,521,806

(in € thousands)	31.12.2018			
	Amount of the commitment			
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
AAA	7,732	-	-	7,732
AA	201,967	-	-	201,967
A	148,822	-	-	148,822
Other	5,683,128	2,700	103	5,685,931
TOTAL	6,041,649	2,700	103	6,044,452

Exposure to credit risk – Credit institutions

Financial assets at amortised cost

	31.12.2019			
	Gross carrying amount			
	Healthy assets or assets with deteriorated credit quality			
(in € thousands)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
AAA	1,431	-	-	1,431
AA	2,177,340	-	-	2,177,340
A	1,827,628	-	-	1,827,628
Other	499,509	-	-	499,509
TOTAL	4,505,908	-	-	4,505,908

	31.12.2018			
	Gross carrying amount			
	Healthy assets or assets with deteriorated credit quality			
(in € thousands)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
AAA	181,176	-	-	181,176
AA	23,051	-	-	23,051
A	3,176,437	-	-	3,176,437
Other	727,160	-	14,845	742,005
TOTAL	4,107,824	-	14,845	4,122,669

Financial assets at fair value through other comprehensive income with recycling

	31.12.2019			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			
(in € thousands)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
AAA	50,180	-	-	50,180
AA	756,307	-	-	756,307
A	5,137,999	-	-	5,137,999
Other	3,011,447	9,733	-	3,021,180
TOTAL	8,955,933	9,733	-	8,965,666

	31.12.2018			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			
(in € thousands)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
AAA	352,989	-	-	352,989
AA	2,289,594	-	-	2,289,594
A	3,199,393	-	-	3,199,393
Other	3,119,547	-	-	3,119,547
TOTAL	8,961,523	-	-	8,961,523

Off-balance sheet (financing commitments and guarantee contracts)

31.12.2019				
Amount of the commitment				
(in € thousands)	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
AAA	-	-	-	-
AA	1,121,000	-	-	1,121,000
A	500,422	-	-	500,422
Other	-	100,000	-	100,000
TOTAL	1,621,422	100,000	-	1,721,422

31.12.2018				
Amount of the commitment				
(in € thousands)	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
AAA	-	-	-	-
AA	4,384	-	-	4,384
A	1,257,028	-	-	1,257,028
Other	317,721	1	-	317,722
TOTAL	1,579,133	1	-	1,579,134

Concentration of credit risk by geographical region

Financial assets at amortised cost

31.12.2019				
Carrying amount				
(in € thousands)	Healthy assets or assets with deteriorated credit quality			Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	
France (incl. overseas departments and territories)	194,520,131	3,102,369	1,340,418	198,962,918
Other EU countries	13,644,412	3,174	19,408	13,666,994
Other European countries	78,161	53	771	78,985
Other	437,949	114	13,444	451,507
Impairments	(99,571)	(149,774)	(580,093)	(829,438)
TOTAL	208,581,082	2,955,936	793,948	212,330,966

31.12.2018				
Carrying amount				
(in € thousands)	Healthy assets or assets with deteriorated credit quality			Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired asset (Bucket 3)	
France (incl. overseas departments and territories)	194,743,991	2,410,682	1,391,078	198,545,751
Other EU countries	7,990,747	1,958	6,373	7,999,078
Other European countries	111,425	307	5,379	117,111
Other	734,942	118	40,742	775,802
Impairments	(83,540)	(117,271)	(567,132)	(767,943)
TOTAL	203,497,565	2,295,794	876,440	206,669,799

Financial assets at fair value through other comprehensive income with recycling

	31.12.2019			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			
(in € thousands)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
France (incl. overseas departments and territories)	5,065,498	19,423	-	5,084,921
Other EU countries	6,089,683	18,274	-	6,107,957
Other European countries	367,498	-	-	367,498
Other	3,139,983	-	-	3,139,983
TOTAL	14,662,662	37,697	-	14,700,359
<i>Of which impairments</i>	<i>(3,279)</i>	<i>(737)</i>	<i>-</i>	<i>(4,016)</i>

	31.12.2018			
	Fair value			
	Healthy assets or assets with deteriorated credit quality			
(in € thousands)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Impaired assets (Bucket 3)	Total
France (incl. overseas departments and territories)	4,559,185	-	-	4,559,185
Other EU countries	6,694,587	56	-	6,694,643
Other European countries	714,026	-	-	714,026
Other	3,740,279	-	-	3,740,279
TOTAL	15,708,077	56	-	15,708,133
<i>Of which impairments</i>	<i>(3,487)</i>	<i>(14)</i>	<i>-</i>	<i>(3,501)</i>

Off-balance sheet (financing commitments and guarantee contracts)

31.12.2019				
Amount of the commitment				
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
(in € thousands)				
France (incl. overseas departments and territories)	28,019,946	475,422	30,358	28,525,726
Other EU countries	510,491	23	-	510,514
Other European countries	1,955	1	-	1,956
Other	12,471	9	-	12,480
Provisions ⁽¹⁾	(25,296)	(13,907)	(1,034)	(40,237)
TOTAL	28,519,567	461,548	29,324	29,010,439

(1) Expected or proven losses on off-balance sheet commitments are accounted for *via* provisions under balance sheet liabilities.

31.12.2018				
Amount of the commitment				
	Healthy commitments or commitments with deteriorated credit quality			Total
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)	
(in € thousands)				
France (incl. overseas departments and territories)	25,786,547	256,944	28,658	26,072,149
Other EU countries	1,027,952	32	-	1,027,984
Other European countries	9,903	7	-	9,910
Other	17,963	19	-	17,982
Provisions ⁽¹⁾	(23,509)	(9,243)	(14,090)	(46,842)
TOTAL	26,818,856	247,759	14,568	27,081,183

(1) Expected or proven losses on off-balance sheet commitments are accounted for *via* provisions under balance sheet liabilities.

4.2 Market risk

Derivatives transactions: analysis per residual life

The breakdown of the market value of derivatives is shown per residual contractual maturity.

Hedging derivatives

	31.12.2019							
	< 1 year	1 to 5 years	More than 5 years	Total	< 1 year	1 to 5 years	More than 5 years	Total
	Assets				Liabilities			
(in € thousands)								
Interest rate instruments	43,980	895,160	548,665	1,487,805	5,279	197,159	379,311	581,749
▶ Interest rate swaps	43,980	895,145	548,620	1,487,745	5,279	197,159	379,311	581,749
▶ Options, caps, floors, rate collars	-	15	45	60	-	-	-	-
Forex instruments	-	-	-	-	8,926	-	-	8,926
▶ Currency futures	-	-	-	-	8,926	-	-	8,926
Credit instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
TOTAL FAIR VALUE OF HEDGING DERIVATIVES	43,980	895,160	548,665	1,487,805	14,205	197,159	379,311	590,675

	31.12.2018							
	< 1 year	1 to 5 years	More than 5 years	Total	< 1 year	1 to 5 years	More than 5 years	Total
	Assets				Liabilities			
(in € thousands)								
Interest rate instruments	31,091	517,920	610,289	1,159,300	10,992	89,291	229,093	329,376
▶ Interest rate swaps	2,557	517,873	609,909	1,130,339	10,992	89,291	229,093	329,376
▶ Options, caps, floors, rate collars	-	47	380	427	-	-	-	-
▶ Other interest rate instruments	28,534	-	-	28,534	-	-	-	-
Forex instruments	-	-	-	-	13,518	4,760	-	18,278
▶ Currency futures	-	-	-	-	13,518	4,760	-	18,278
Credit instruments	-	-	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-	-	-
TOTAL FAIR VALUE OF HEDGING DERIVATIVES	31,091	517,920	610,289	1,159,300	24,510	94,051	229,093	347,654

Trading derivatives

(in € thousands)	31.12.2019							
	< 1 year	1 to 5 years	More than 5 years	Total	< 1 year	1 to 5 years	More than 5 years	Total
	Assets				Liabilities			
Interest rate instruments	18,693	227,215	457,432	703,340	16,404	209,884	423,462	649,750
► Interest rate swaps	17,168	207,747	439,859	664,774	15,318	189,673	403,798	608,789
► Options, caps, floors, collars	1,525	19,468	17,573	38,566	1,086	20,211	19,664	40,961
Currency futures	112,347	23,660	2,546	138,553	36,822	23,525	2,485	62,832
► Forex instruments	112,347	23,660	2,546	138,553	36,822	23,525	2,485	62,832
Credit instruments	-	42,860	-	42,860	-	58,458	-	58,458
Other instruments	-	-	-	-	188	11,377	-	11,565
TOTAL FAIR VALUE OF TRADING DERIVATIVES	131,040	293,735	459,978	884,753	53,414	303,244	425,947	782,605

(in € thousands)	31.12.2018							
	< 1 year	1 to 5 years	More than 5 years	Total	< 1 year	1 to 5 years	More than 5 years	Total
	Assets				Liabilities			
Interest rate instruments	5,822	222,193	168,513	396,528	4,864	205,532	210,726	421,122
► Interest rate swaps	5,553	210,552	166,663	382,768	4,763	194,450	206,763	405,976
► Options, caps, floors, collars	269	11,641	1,850	13,760	101	11,082	3,963	15,146
Currency futures	13,041	46,166	175	59,382	34,423	46,002	151	80,576
► Forex instruments	13,041	46,166	175	59,382	34,423	46,002	151	80,576
Credit instruments	-	2,490	-	2,490	-	13,152	-	13,152
Other instruments	-	-	-	-	-	12,070	3,482	15,552
TOTAL FAIR VALUE OF TRADING DERIVATIVES	18,863	270,849	168,688	458,400	39,287	276,756	214,359	530,402

4.3 Hedge accounting

4.3.1 General framework of the risk management strategy

4.3.1.1 General framework

Market risk reflects the potential impact of changes in the financial markets on the bank's results or balance sheet. It includes price risk, currency risk and commodities risk.

The majority of balance sheet items generate interest income and charges, the amounts of which are exposed to interest rate changes either through new operations set up at an unknown rate, or the comparative increase in the rate at which existing operations may have been set up. In the first case, there is a risk of change in cash flow, while in the second case, there is a fair value risk.

IFRS 9 provides the option of deferring application of the new hedge accounting provisions pending the effective date of the standard on macro-hedging. The Group chose the option to continue to apply the principles of IAS 39 to hedge accounting. With respect to macro-hedging, European Union provisions on the fair value hedging of a portfolio of interest rate items continue to apply.

4.3.1.2 Reform of benchmark interest rates

The new Benchmark Regulation EU 2016/1011 also called the BMR (Benchmark Regulation), is the European legislative response to strengthen the regulatory framework applicable to benchmark interest rates, in particular, IBOR rates (Interbank Offered Rates). The benchmark interest rate reform implies the replacement or change in the determination method, at the market level, of a current benchmark interest rate by an alternative benchmark rate. It will impact euro zone rates (EONIA, EURIBOR) but also rates outside of the euro zone (LIBOR).

This regulation has been applicable since 1 January 2018, however, a transition period for its application was planned due to operational and legal complexities. The deadline for the application of the new interest rates complying with the BMR is 1 January 2022.

La Banque Postale Group is affected by the reform given that some of its financial instruments are indexed on an IBOR rate which will be replaced or whose calculation method will be modified. In this respect, the Group has anticipated significant impacts, notably operational (strategic, IT), legal and accounting impacts. In addition, a project organisation and governance have been implemented to investigate the operational implications of the impacts of compliance with the BMR Regulation and the disappearance of certain benchmark rates.

The project covers the following, among other things:

- ▶ the mapping of the positions concerned by the rate reforms;
- ▶ the implementation of contracts to ensure compliance with the BMR and with the new practices in place. No renegotiation took place as at 31 December 2019;
- ▶ the remediation of existing contracts for the inclusion or improvement of backout clauses in the event of the disappearance of a benchmark rate as of 1 January 2022. However, the remediation effort carried out by La Banque Postale has been weak. On 31 December 2019, the majority of the contracts prepared by the Group included backout clauses in the event of the disappearance of the benchmark rate. In addition, the number of contracts indexed on the EONIA or LIBOR which expire is beyond 2021, including framework contracts issued by markets, is not significant;
- ▶ the preparation of procedures to comply with the BMR regulation (Solid Written Plans);
- ▶ the updating of systems to handle new benchmark rates and the potential future transformation of certain rates (LIBOR, EONIA);
- ▶ the management of risks generated by the reform, which may be legal, operational or financial;
- ▶ the external and internal communication related to the benchmark rate reform.

Due to their high exposure to benchmark rates, and while retaining an exhaustive approach to handling the impacts for the Group overall, the Department of Businesses and Regional Development and the Financing and Investment Bank played a leading role in managing this project. Each project led, whenever deemed necessary, to concrete and targeted actions such as the modification of the general conditions of certain contracts or the adaptation of systems to handle a new benchmark rate in the euro zone (the €STR). It is, however, planned that the project will remain active until the start of 2022 due to the different actions that will have to be carried out in future such as the adaptation of contracts (amendment) and of systems (switch of calculations to new rates) and the potential (LIBOR) or planned (EONIA) disappearance of certain rates in early 2022.

As a result of the reform, the contractual cash flows of financial instruments indexed on a benchmark rate will be changed when the switch is made to an alternative benchmark rate. Given that the benchmark rates are different from one market to another, replacement will not take place at the same time and in the same way. During the period preceding replacement, there may be uncertainty about the maturity and amount of future cash flows as long as the alternative benchmark rate and the replacement date are not known. When the instruments impacted by the reform are qualified either as hedged instruments or hedging instruments in a hedging relationship based on IAS 39, these uncertainties could impact the ability of La Banque Postale Group to meet certain prospective and retrospective appreciation requirements. This reason alone could force the Group to stop using hedge accounting although the other applicability criteria are met.

As of 31 December 2019, the Group has been assessing the degree of uncertainty to which its FVH hedging derivatives⁽¹⁾ are exposed. The Group is primarily exposed to EONIA and EURIBOR rates and, to a lesser extent, to the LIBOR USD rate.

EURIBOR

In July 2019, the French Financial Markets Authority (FSMA) granted the European Money Markets Institute (EMMI) approval to act as the administrator of the EURIBOR benchmark rate, thereby providing confirmation that BMR requirements are met. Therefore, the EURIBOR can still be used after 1 January 2020 for new and existing contracts. At the end of October 2019, following the new EURIBOR calculation method, it became the Hybrid EURIBOR. Any reference to the EURIBOR will now be substituted with the new benchmark. As a result, the Group doesn't plan to terminate the EURIBOR in the foreseeable future or to change the risk hedged to a new benchmark rate. This is why the Group doesn't consider fair value hedges, which use the EURIBOR as the benchmark rate, to be directly impacted by the reform of 31 December 2019.

EONIA

As of 2 October 2019, the EONIA will be replaced by the €STR (Euro Short Term Rate) and determined from it by adding an 8.5 bps spread. The two rates will co-exist until 1 January 2022. As of 31 December 2019, the Group believes that there are uncertainties about the rate replacement dates in the contracts and about the change procedure (spread or balancing adjustment and the method for calculating the balancing adjustment).

LIBOR USD

The LIBOR USD should be replaced by the SOFR (Secured Overnight Financing Rate), which has been published since April 2018. As of the close date, the LIBOR USD expiration date has not been set. In addition, the changeover method has not been defined.

4.3.1.3 Hedging type – management of associated risks

In the framework of the risk management linked to the balance of assets/liabilities and the risk management policy, La Banque Postale Group sets up hedges using financial derivatives.

These economic hedges result in different types of accounting.

When derivatives are held for trading, it is against the hedged underlying, and they do not enter into the category of derivatives entering into a hedge relationship within the accounting definition. There is this no hedge accounting.

Derivatives that meet the criteria defined in IAS 39 to qualify as hedging instruments are classified in the "Fair value hedges" or "Cash flow hedges" categories.

Fair value hedges

Fair value hedges enable exposure to fluctuations in the fair value of financial assets or liabilities to be hedged; they are primarily used to hedge the interest rate risk on fixed-rate assets and liabilities as well as overnight deposits, according to the options approved by the European Union. The derivatives used to hedge fair value enable to stabilise the value by moving inversely to the hedged item. Hedging is deemed effective when the change in the value of the hedging instrument effectively offsets that of the hedged instrument, i.e. when the relation between the two changes remains within a range of 80 to 125%.

(1) At 31.12.2019, Groupe La Banque Postale did not hold any instruments hedged under a cash flow hedge relationship.

Cash flow hedges: cash flow hedges and all-in-one cash flow hedges

Cash flow hedges are used to hedge exposure to changes in cash flows from financial assets or liabilities, firm commitments or future transactions. More specifically, they are used to cover the interest rate risk on variable-rate assets and liabilities. Derivatives used for cash flow hedging must enable cash flow to be effectively secured. In the particular case of forwards, they act as an “all-in-one” cash flow hedge, which in its construction is effective given that these contracts hedge the underlying that they will deliver (i.e. the contracts include both the derivative and the underlying, hence the term “all-in-one”).

Macro-hedging

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

Macro-hedging instruments are mainly interest rate swaps designated as fair value hedges for the Group’s fixed-rate sources and applications. The income stream of these hedging swaps is systematically shorter than the probable stream from fixed-rate instruments. This is called the bottom-layer approach. In the case of over-hedging, the effectiveness test performed by La Banque Postale Group shows that it is ineffective, and the hedging derivative is systematically terminated.

4.3.1.4 Hedging instruments

The La Banque Postale Group uses several types of hedging derivatives to manage the interest rate risks and changes in balance sheet items.

In the case of interest rate swaps (OTC contracts in which a stream of future fixed-rate interest payments is exchanged for a stream of variable-rate interest payments based on a specified principal amount) La Banque Postale Group favours OIS swaps.

Concerning options (OTC contracts between two counterparties giving the buyer the option to hedge above a certain level), the La Banque Postale Group trades in caps to hedge against a rise in interest rates above a pre-determined level (the ceiling, called cap rate or strike rate), against payment – generally immediate – of a premium.

Regarding currency swaps La Banque Postale Group uses cross currency swaps (payer of the rate in foreign currency and receiver of the variable rate in euros). Cross currency swaps provide both financing in foreign currency and economic currency hedging (financing and interest). The foreign currency flows of the security and the swap are completely based on each other in terms of amount, date and payments.

Scopes and economic links to the hedged risk (the underlying)
4.3.1.5 Underlyings

La Banque Postale hedges balance sheet transactions (both customer and financial transactions) with derivatives traded with market counterparties. These transactions depend on the business model of the portfolios.

They stem from different hedging strategies that aim primarily to hedge the interest rate risk.

Hedged item	Derivatives	Hedging
Fixed-rate loans	Fixed-rate payer swap	macro “carve-out” fair value hedge (CO-FVH: carve-out fair value hedge)
Fixed-rate loans	Fixed-rate payer swap	fair value hedge (FVH: fair value hedge)
Variable-rate loans	Fixed-rate payer swap	cash flow hedge (CFH: cash flow hedge)*
Fixed-rate securities purchased	Fixed-rate payer swap	macro “carve-out” fair value hedge (CO-FVH: carve-out fair value hedge)
Fixed-rate securities purchased	Fixed-rate payer swap	fair value edge (FVH: fair value hedge)
Fixed-rate forward securities purchased	Forward	all-in-one cash flow hedge (“all-in-one CFH”: all-in-one cash flow hedge)
Assets with capped revisable rates	Cap purchased	macro “carve-out” fair value hedge (CO-FVH: carve-out fair value hedge)
Fixed-rate customer deposits	Fixed-rate payer swap	macro “carve-out” fair value hedge (CO-FVH: carve-out fair value hedge)
Fixed-rate bond issue	Fixed-rate payer swap	fair value hedge (FVH: fair value hedge)

* Position terminated end-2018

Hedged underlyings that are assets

The hedged risk corresponds to the amount of interest rate risk on fixed-rate bonds and customer loans (home loans, consumer credit), as well as the cash flow interest rate risk (acquisition of term bonds).

Hedged underlyings that are liabilities

The hedged risk corresponds to the amount of interest rate risk on fixed-rate customer deposits (sight deposits, PEL home-ownership plan) and fixed-rate bond issues.

4.3.1.6 Sources of ineffectiveness
Hedging of a security with a swap:

There are two types of fair value hedges:

Euribor hedges: Euribor hedges are valued using a EURIBOR discount curve for the securities, and the derivatives are valued using an EONIA curve. The introduction of the two different discount curves creates a slight hedging ineffectiveness that will be greater when the EONIA-EURIBOR spread varies over time (ineffectiveness stemming from the changes in fair value of the variable part of the swap, when this rate is not a daily rate (like the Eonia) but a pre-set rate (like the Euribor)).

Eonia hedges: EONIA hedges are valued using an EONIA discount curve for both the securities and the derivatives. The mathematical hedge is thus perfect between the security and the swap (security discounted using EONIA with adjustment of the credit component and swap discounted to EONIA), which is why they are considered to be fully effective with no need to carry out effectiveness tests.

Hedging of several securities with several swaps:

The principles defined enable documentation to be obtained of simplified hedging deemed to be **fully effective**, while accurately managing the accounting treatment of the hedged rate component and notably the recycling of hedging results according to the transactions carried out involving the securities.

The securities and their hedges (a swap, more exceptionally several swaps) are grouped together by macro-hedging “strategy”. Each macro-hedging strategy respects the following restrictions:

1. the securities and swaps of the strategy have a maturity date for a same bucket of a maximum of one year;
2. the notional amount of the swap of the strategy must be below the total principle amount of the securities;
3. the maturity of the swap must be less than or equal to the smallest maturity of the securities of the strategy;
4. the sensitivity of the swap of the strategy must be less than or equal to the overall sensitivity of the securities;
5. If there are several swaps in the strategy they must be executed on the same day;
6. once the securities and the swap(s) are bound, no other securities may be purchased in the strategy, only the sales of securities and unwinding of the swaps are authorised.

Within this management framework, as soon as a hedging strategy is set up, new securities or new swaps cannot be added to it. This guarantees that, over the hedging period, all securities and all swaps have undergone uniform changes in value (with respect to interest rate risk) over time.

La Banque Postale has set rules for unwinding by following the principle amount of the securities sold by strategy in order to permanently comply with the restrictions defined and by partially terminating, on the same day as the sale of the security, the outstanding amount of the swap that exceeds the principle of the remaining securities. In the case of over-hedging, the effectiveness test performed by La Banque Postale Group is failed, an “ineffectiveness” is thus calculated, and the hedging derivative is systematically terminated for the amount of the over-hedging.

Macro-hedging: The sources of ineffectiveness consist mainly of the disappearance of the underlying.

4.3.1.7 Hedging ratio

The hedging ratio (quantity of hedged items/quantity of hedging instruments) corresponds to the ratio used by La Banque Postale Group in its operational risk management.

The method for determining the hedging ratio is the following: At each reporting date, the backward-looking documentation consists of verifying that the change in the value of the hedged item is the

same as the change in the hedging instrument, and that the ratio of the changes in value remains in the range of [80%-125%]. To assess if the hedging is highly effective, the Group assumes that the reform of the benchmark interest rates will not change the benchmark interest rate on which the cash flows of the hedging instrument are based. If the Group concludes that the change ratio is out of range [80%-125%] due to the reform, the hedging relationship will not end but the inefficiency will be recorded in the income statement.

4.3.1.8 Effectiveness test

La Banque Postale Group performs an effectiveness test at least twice during each half-year period.

Cash flow hedges

For cash flow hedges, La Banque Postale Group uses the hypothetical derivative method. This method consists of a comparison of the change in fair value of the hedging instrument and the change in fair value of a hypothetical swap that would represent the perfect hedge.

Fair value hedges

Hedging of a security with a swap

For micro-hedging using EURIBOR swaps, La Banque Postale Group uses the hypothetical derivative method. Based on the assumption that EONIA swaps are 100% effective in micro-hedging, the method consists of creating an EONIA swap that could have been set up at the time of hedging (that replicates that security exactly) and increasing the change in the value of this swap in line with the value of the swap actually in place.

The residual ineffectiveness thus corresponds to the sum of the changes in value of the hedged item and the hedging instrument. The security and the swap are valued using an identical and constant yield curve, only the market exchange rate is taken into account. The change in the value of the security valued this way is thus independent of the changes in value of the interest rates and is therefore impacted solely by the change in the interest rate.

In the case that the effectiveness test fails, the La Banque Postale Group sells all or part of the hedged underlying. Effectiveness tests are performed before and after the disposal to ensure the compliance of the transaction.

Coverage of several securities by a swap

In order to ensure the monitoring of the hedging strategy, La Banque Postale has created a rolling documentation of hedging strategies to demonstrate the absence of new securities or additions to the existing positions.

Hedging of several loans by several swaps (carve out)

For a sub-set of customer fixed-rate contracts, La Banque Postale Group performs tests to verify that the stream of the hedged underlyings is greater than that of the nominal of the derivatives (swaps or options) that are used for hedging. In cases where the nominal of the derivatives is greater, the hedging relationship is discontinued, and the derivative(s) is(are) systematically terminated.

Fair value and cash flow hedging derivatives

The breakdown of fair value and cash flow hedging derivatives is shown below:

(in € thousands)	31.12.2019		
	Assets	Liabilities	Notional ⁽¹⁾
Interest rate instruments	1,487,805	581,749	50,150,483
► Interest rate swaps	1,487,745	581,749	49,990,054
► Options, caps, floors, rate collars	60	-	160,429
Forex instruments	-	8,926	137,497
Currency futures	-	8,926	137,497
Other instruments	-	-	-
TOTAL FAIR VALUE HEDGING DERIVATIVES	1,487,805	590,675	50,287,980

(in € thousands)	31.12.2019		
	Assets	Liabilities	Notional amount
Interest rate instruments	-	-	-
Forex instruments	-	-	-
Other instruments	-	-	-
TOTAL CASH FLOW HEDGING DERIVATIVES	-	-	-
TOTAL HEDGING DERIVATIVES	1,487,805	590,675	50,287,980

(1) The notional amounts of hedging derivatives which are included in the scope of application of the amendment to IFRS 9, IAS 39 and IFRS 7 – Reform of the benchmark interest rates are as follows:

Notional of FVH hedging derivatives by maturity			
(in € thousands)	2 years	5 years	>5 years
EONIA	6,766,000	22,335,920	10,698,988
LIBOR USD	72,993	1,091,552	189,603

The notional amounts of hedging derivatives which are not* included in the scope of application of the amendment to IFRS 9, IAS 39 and IFRS 7 “Reform of the benchmark interest rates” are as follows:

Notional of FVH hedging derivatives by maturity			
(in € thousands)	2 years	5 years	>5 years
EURIBOR	1,745,597	5,233,100	1,674,136

*No uncertainty about the EURIBOR as explained above (see. 4.3.1.2).

These notional amounts of hedging derivatives break down by the following maturities:

- 2 years: Time between the close date and the deadline, set at 31 December 2021, for using the new benchmark rates in line with the BMR;
- 5 years: Period between 1 January 2022 and 31 December 2024. When a banking institution contributing to the calculation of a benchmark index of critical importance decides to leave the panel, it remains committed for a period of five years as of 1 January 2020 and is then renewed on an annual basis.

	31.12.2018		
(in € thousands)	Assets	Liabilities	Notional amount
Interest rate instruments	1,130,766	329,376	38,847,851
▶ Interest rate swaps	1,130,339	329,376	38,484,071
▶ Options, caps, floors, rate collars	427	-	363,780
Forex instruments	-	18,278	345,960
▶ Currency futures	-	18,278	345,960
Other instruments	-	-	-
TOTAL FAIR VALUE HEDGING DERIVATIVES	1,130,766	347,654	39,193,811

	31.12.2018		
(in € thousands)	Assets	Liabilities	Notional amount
Interest rate instruments	28,534	-	1,475,833
Forex instruments	-	-	-
Other instruments	-	-	-
TOTAL CASH FLOW HEDGING DERIVATIVES	28,534	-	1,475,833
TOTAL HEDGING DERIVATIVES	1,159,300	347,654	40,669,644

Hedging derivatives transactions: analysis by residual life (notional amounts)

The breakdown of the notional amounts of the derivative instruments is shown by residual contractual life.

	31.12.2019			
(in € thousands)	Less than 1 year	1 to 5 years	More than 5 years	Total
Interest rate instruments	5,453,850	31,982,244	12,714,389	50,150,483
▶ Interest rate swaps	5,441,100	31,861,565	12,687,389	49,990,054
▶ Options, caps, floors, collars	12,750	120,679	27,000	160,429
Forex instruments	137,497	-	-	137,497
▶ Currency futures	137,497	-	-	137,497
Credit instruments	-	-	-	-
Other instruments	-	-	-	-
TOTAL NOTIONAL AMOUNT OF FAIR VALUE HEDGING DERIVATIVES	5,591,347	31,982,244	12,714,389	50,287,980

	31.12.2019			
(in € thousands)	Less than 1 year	1 to 5 years	More than 5 years	Total
Interest rate instruments	-	-	-	-
Forex instruments	-	-	-	-
Credit instruments	-	-	-	-
Other instruments	-	-	-	-
TOTAL NOTIONAL AMOUNT OF CASH FLOW HEDGING DERIVATIVES	-	-	-	-
TOTAL NOTIONAL AMOUNT OF HEDGING DERIVATIVES	5,591,347	31,982,244	12,714,389	50,287,980

(in € thousands)	31.12.2018			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Interest rate instruments	1,926,968	18,706,854	18,214,029	38,847,851
▶ Interest rate swaps	1,765,618	18,560,424	18,158,029	38,484,071
▶ Options, caps, floors, collars	161,350	146,430	56,000	363,780
Forex instruments	208,463	137,497	-	345,960
▶ Currency futures	208,463	137,497	-	345,960
Credit instruments	-	-	-	-
Other instruments	-	-	-	-
TOTAL NOTIONAL AMOUNT OF FAIR VALUE HEDGING DERIVATIVES	2,135,431	18,844,351	18,214,029	39,193,811

(in € thousands)	31.12.2018			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Interest rate instruments	1,475,833	-	-	1,475,833
Forex instruments	-	-	-	-
Credit instruments	-	-	-	-
Other instruments	-	-	-	-
TOTAL NOTIONAL AMOUNT OF CASH FLOW HEDGING DERIVATIVES	1,475,833	-	-	1,475,833
TOTAL NOTIONAL AMOUNT OF HEDGING DERIVATIVES	3,611,264	18,844,351	18,214,029	40,669,644

Fair value hedges

Hedged items

Fair value micro-hedging

	31.12.2019			
	Existing hedges		Discontinued hedges	Changes in fair value over the period related to hedging (incl. discontinued hedges over the period)
	Carrying amount	including the cumulative change in fair value related to hedging	Cumulative change in fair value related to hedging remaining to be classified	
(in € thousands)				
ASSETS				
Interest rate	11,380,129	219,475	-	165,659
Forex	146,699	18	-	(586)
Other	-	-	-	-
Financial instruments at fair value through OCI	11,526,828	219,493	-	165,073
Interest rate	329,033	11,528	-	4,771
Forex	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	329,033	11,528	-	4,771
LIABILITIES				
Interest rate	9,314,714	476,921	-	(239,369)
Forex	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	9,314,714	476,921	-	(239,369)

	31.12.2018			
	Existing hedges		Discontinued hedges	Changes in fair value over the period related to hedging (incl. discontinued hedges over the period)
	Carrying amount	including the cumulative change in fair value related to hedging	Cumulative change in fair value related to hedging remaining to be classified	
(in € thousands)				
ASSETS				
Interest rate	10,804,092	53,816	-	173,482
Forex	365,885	604	-	(575)
Other	-	-	-	-
Financial instruments at fair value through OCI	11,169,976	54,420	-	172,907
Interest rate	283,745	6,757	-	(1,129)
Forex	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	283,745	6,757	-	(1,129)
LIABILITIES				
Interest rate	7,236,133	237,552	-	(8,429)
Forex	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	7,236,133	237,552	-	(8,429)

Fair value macro-hedging

	31.12.2019	31.12.2018
(in € thousands)	Carrying amount	Carrying amount
Debt instruments recognised at fair value through OCI	-	-
Debt instruments recognised at amortised cost	13,066,292	3,986,258
Total – Assets	13,066,292	3,986,258
Debt instruments recognised at amortised cost	11,870,000	16,535,000
Total – Liabilities	11,870,000	16,535,000
TOTAL FAIR VALUE HEDGING OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO OF FINANCIAL INSTRUMENTS	24,936,292	20,521,258

Result of the fair value hedge accounting

The result of the hedge accounting is also presented in Note 6.3 “Net gains and losses on financial instruments at fair value through profit or loss”.

	31.12.2019		
	Net result (result of the hedge accounting)		
(in € thousands)	Changes in the fair value of the hedging instrument (incl. discontinued hedges)	Changes in the fair value of the hedged item (incl. discontinued hedges)	Ineffective portion of the hedging
Interest rate	98,968	(99,986)	(1,018)
Forex	8,732	(8,191)	541
Other	-	-	-
TOTAL	107,700	(108,177)	(477)

	31.12.2018		
	Net result (result of the hedge accounting)		
(in € thousands)	Changes in the fair value of the hedging instrument (incl. discontinued hedges)	Changes in the fair value of the hedged item (incl. discontinued hedges)	Ineffective portion of the hedging
Interest rate	(150,549)	148,920	(1,629)
Forex	(23,690)	23,512	(178)
Other	-	-	-
TOTAL	(174,239)	172,432	(1,807)

Cash flow hedges

Hedged items

(in € thousands)	31.12.2019		
	Existing hedges	Discontinued hedges	Changes in fair value over the period related to hedging (incl. discontinued hedges over the period)
	Cumulative change in fair value related to hedging	Cumulative change in fair value related to hedging remaining to be classified	
ASSETS			
Interest rate	-	-	(28,534)
Forex	-	-	-
Other	-	-	-
TOTAL	-	-	(28,534)

(in € thousands)	31.12.2018		
	Existing hedges	Discontinued hedges	Changes in fair value over the period related to hedging (incl. discontinued hedges over the period)
	Cumulative change in fair value related to hedging	Cumulative change in fair value related to hedging remaining to be classified	
ASSETS			
Interest rate	(28,534)	-	(27,737)
Forex	-	-	-
Other	-	-	-

Result of the cash flow hedge accounting

(in € thousands)	31.12.2019		
	Other items of the overall result		Net result (result of the hedge accounting)
	Amount of the effective portion of the hedge relationship recognised over the period	Amount recognised in OCI with recycling and transferred to profit or loss over the period	Ineffective portion of the hedging
Interest rate	21,891	(33,550)	-
Forex	-	-	-
Other	-	-	-
TOTAL	21,891	(33,550)	-

(in € thousands)	31.12.2018		
	Other items of the overall result		Net result (result of the hedge accounting)
	Amount of the effective portion of the hedge relationship recognised over the period	Amount recognised in OCI with recycling and transferred to profit or loss over the period	Ineffective portion of the hedging
Interest rate	27,737	(174,371)	-
Forex	-	-	-
Other	-	-	-
TOTAL	27,737	(174,371)	-

NOTE 5 NOTES TO THE BALANCE SHEET

5.1 Cash, central banks

(in € thousands)	31.12.2019	31.12.2018
Cash	1,167,844	944,367
Central banks	21,244,648	1,062,427
CASH, CENTRAL BANKS	22,412,492	2,006,794

5.2 Financial assets and liabilities at fair value through profit or loss

(in € thousands)	31.12.2019			Total
	Financial assets held for trading	Fair value on option	Fair value not SPPI and equity instruments	
Derivative instruments	884,753	-	-	884,753
▶ interest rate	703,340	-	-	703,340
▶ foreign exchange	138,553	-	-	138,553
▶ credit	42,860	-	-	42,860
▶ other	-	-	-	-
Debt instruments	6,649,995	-	1,204,680	7,854,675
Government paper and similar securities	1,374,710	-	-	1,374,710
Bonds and other fixed-income securities	5,275,285	-	52,820	5,328,105
UCITS	-	-	1,151,860	1,151,860
Equity instruments	7	-	197,449	197,456
Equities and other variable-income securities	7	-	197,449	197,456
Non-consolidated equity stakes	-	-	-	-
Loans and advances	1,967,753	-	-	1,967,753
Credit institutions	-	-	-	-
Customers	1,967,753	-	-	1,967,753
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	9,502,508	-	1,402,129	10,904,637
Derivative instruments	782,605	-	-	782,605
▶ interest rate	649,750	-	-	649,750
▶ foreign exchange	62,832	-	-	62,832
▶ credit	58,458	-	-	58,458
▶ other	11,565	-	-	11,565
Debt securities	-	804,686	-	804,686
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	782,605	804,686	-	1,587,291

31.12.2018 adjusted				
(in € thousands)	Financial assets held for trading	Fair value on option	Fair value not SPPI and equity instruments	Total
Derivative instruments	458,400	-	-	458,400
▶ interest rate	396,528	-	-	396,528
▶ foreign exchange	59,382	-	-	59,382
▶ credit	2,490	-	-	2,490
▶ other	-	-	-	-
Debt instruments	7,327,462	-	1,113,759	8,441,221
Government paper and similar securities	1,842,477	-	-	1,842,477
Bonds and other fixed-income securities	5,484,985	-	53,500	5,538,485
UCITS	-	-	1,060,259	1,060,259
Equity instruments	7	-	148,150	148,157
Equities and other variable-income securities	7	-	148,150	148,157
Non-consolidated equity stakes	-	-	-	-
Loans and advances	1,570,975	-	-	1,570,975
Credit institutions	-	-	-	-
Customers	1,570,975	-	-	1,570,975
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	9,356,844	-	1,261,909	10,618,753
Derivative instruments	530,402	-	-	530,402
▶ interest rate	421,122	-	-	421,122
▶ foreign exchange	80,576	-	-	80,576
▶ credit	13,152	-	-	13,152
▶ other	15,552	-	-	15,552
Debt securities	-	278,812	-	278,812
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	530,402	278,812	-	809,214

Derivatives held for trading

(in € thousands)	31.12.2019		
	Assets	Liabilities	Notional amount
Interest rate instruments	703,340	649,750	57,566,717
Futures	-	-	1,031,450
Interest rate swaps	664,774	608,789	38,236,804
Options, caps, floors, collars	38,566	40,961	18,298,463
Forex instruments	138,553	62,832	7,492,716
Currency futures	138,553	62,832	7,492,716
Credit instruments	42,860	58,458	3,709,396
Other instruments	-	11,565	1,663,570
TOTAL DERIVATIVES HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	884,753	782,605	70,432,399

(in € thousands)	31.12.2018 Reported		
	Assets	Liabilities	Notional amount
Interest rate instruments	396,528	421,122	38,427,873
Futures	-	-	1,951,682
Interest rate swaps	382,768	405,976	28,770,554
Options, caps, floors, collars	13,760	15,146	7,705,637
Forex instruments	59,382	80,576	6,449,877
Currency futures	59,382	80,576	6,449,877
Credit instruments	2,490	13,152	1,798,197
Other instruments	-	15,552	1,652,183
TOTAL DERIVATIVES HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	458,400	530,402	48,328,130

5.3 Hedging derivatives

Detailed information is provided in Note 4.3 "Hedge accounting".

5.4 Financial assets recognised at fair value through other comprehensive income

(in € thousands)	31.12.2019							
	Fair value				Impairments			
	B1	B2	B3	Total	B1	B2	B3	Total
Financial assets at fair value through OCI – without recycling				358,210				
Equity instruments:				358,210				
▶ Equities and other variable-income securities				110,977				
▶ Other securities held over the long term				1,444				
▶ Non-consolidated equity stakes				245,789				
Financial assets at fair value through OCI – with recycling	14,662,662	37,697	-	14,700,359	(3,279)	(737)	-	(4,016)
Debt instruments:	14,662,662	37,697	-	14,700,359	(3,279)	(737)	-	(4,016)
▶ Government paper and similar securities	4,104,150	-	-	4,104,150	(422)	-	-	(422)
▶ Bonds	10,558,512	37,697	-	10,596,209	(2,857)	(737)	-	(3,594)
Loans and advances to credit institutions	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	- 15,058,569	-	-	-	(4,016)

(in € thousands)	31.12.2018 Adjusted							
	Fair value				Impairments			
	B1	B2	B3	Total	B1	B2	B3	Total
Financial assets at fair value through OCI – without recycling				288,764				
Equity instruments:				288,764				
▶ Equities and other variable-income securities				79,021				
▶ Other securities held over the long term				989				
▶ Non-consolidated equity stakes				208,754				
Financial assets at fair value through OCI – with recycling	15,708,077	56	-	15,708,133	(3,487)	(14)	-	(3,501)
Debt instruments:	15,708,077	56	-	15,708,133	(3,487)	(14)	-	(3,501)
▶ Government paper and similar securities	5,050,944	-	-	5,050,944	(631)	-	-	(631)
▶ Bonds	10,657,133	56	-	10,657,189	(2,856)	(14)	-	(2,870)
Loans and advances to credit institutions	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	-	-	-	- 15,996,897	-	-	-	(3,501)

Equity instruments recognised at fair value through OCI without recycling

	31.12.2019	
(in € thousands)	Fair value	Unrealised gains/losses
Equities, other variable-income securities held over the long term	112,421	850
Non-consolidated equity stakes	245,789	61,176
VALUE ON THE BALANCE SHEET OF FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH OCI WITHOUT RECYCLING	358,210	62,026
Tax	-	(1,651)
Net gains and losses recognised directly in equity on equity instruments at fair value through OCI with no recycling (after tax)	-	60,375

	31.12.2018 Reported	
(in € thousands)	Fair value	Unrealised gains/losses
Equities, other variable-income securities held over the long term	80,010	856
Non-consolidated equity stakes	208,754	44,587
VALUE ON THE BALANCE SHEET OF FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH OCI WITHOUT RECYCLING	288,764	45,443
Tax	-	(1,067)
Net gains and losses recognised directly in equity on equity instruments at fair value through OCI with no recycling (after tax)	-	44,376

Investments in equity instruments that were derecognised over the period

	31.12.2019	
(in € thousands)	Fair value at the date of derecognition	Cumulated realised gains/losses⁽¹⁾
Equities and other variable-income securities	-	-
Non-consolidated equity stakes	63	24
VALUE ON THE BALANCE SHEET	63	24
Tax	-	-
Net gains and losses recognised directly in equity on equity instruments at fair value through OCI with no recycling (after tax)	-	24

	31.12.2018 Reported	
(in € thousands)	Fair value at the date of derecognition	Cumulated realised gains/losses⁽¹⁾
Equities and other variable-income securities	-	-
Non-consolidated equity stakes	5,972	3,090
VALUE ON THE BALANCE SHEET	5,972	3,090
Tax	-	(124)
Net gains and losses recognised directly in equity on equity instruments at fair value through OCI with no recycling (after tax)	-	2,966

(1) Realised gains and losses are transferred to consolidated reserves at the time of derecognition of the instrument in question.

Non-consolidated equity stakes

(in € thousands)	31.12.2019		31.12.2018 Reported	
	Fair value of securities	Share of capital in%	Fair value of securities	Share of capital in%
Crédit Logement	93,771	6%	102,396	6%
Domiserve	38,470	100%	26,586	100%
KissKissBankBank	29,500	100%	24,000	100%
SFIL	20,000	5%	-	5%
Mandarine Gestion	17,626	12%	15,999	12%
LBP Immobilier Conseil	15,000	100%	15,000	100%
Transactis	11,574	50%	2,474	50%
STET	6,917	5%	6,917	5%
BPIfrance Financement	4,469	0%	4,469	0%
Ezyness	-	100%	3,200	100%
Other	8,462		7,713	
TOTAL INTERESTS AND ADVANCES	245,789		208,754	

Debt instruments recognised at fair value through OCI with recycling

(in € thousands)	31.12.2019	
	Fair value	Gains/Losses gains
Government paper and similar securities	4,104,150	
Bonds	10,596,209	
Total debt instruments	14,700,359	158,494
Total loans and receivables	-	-
VALUE ON THE BALANCE SHEET OF FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME WITH RECYCLING	14,700,359	158,494
Tax	-	(46,550)
Net gains and losses recognised directly in equity on debt instruments at fair value through OCI with recycling (after tax)	-	111,944

(in € thousands)	31.12.2018 Restated	
	Fair value	Gains/Losses gains
Government paper and similar securities	5,050,944	
Bonds	10,657,189	
Total debt instruments	15,708,133	(85,843)
Total loans and receivables	-	-
VALUE ON THE BALANCE SHEET OF FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME WITH RECYCLING	15,708,133	(85,843)
Tax	-	31,571
Net gains and losses recognised directly in equity on debt instruments at fair value through OCI with recycling (after tax)	-	(54,272)

5.5 Securities at amortised cost

(in € thousands)	31.12.2019						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
▶ Government paper and similar securities	25,247,938	-	-	(1,304)	-	-	25,246,634
▶ Bonds and other fixed-income securities	2,794,703	31,482	-	(1,664)	(3,144)	-	2,821,377
▶ Subordinated securities	-	-	-	-	-	-	-
LIABILITIES AT AMORTISED COST	28,042,641	31,482	-	(2,968)	(3,144)	-	28,068,011

(in € thousands)	31.12.2018 Reported						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	BB1	B2	B3		
▶ Government paper and similar securities	20,298,037	-	(359)	-	-	-	20,297,678
▶ Bonds and other fixed-income securities	3,275,008	11,370	(1,961)	(204)	-	-	3,284,213
▶ Subordinated securities	-	-	-	-	-	-	-
LIABILITIES AT AMORTISED COST	23,573,045	11,370	(2,320)	(204)	-	-	23,581,891

5.6 Loans and receivables due from credit institutions and equivalent

(in € thousands)	31.12.2019						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Sight deposit accounts and loans with credit institutions	372,150	-	-	(63)	-	-	372,087
Current accounts in debit	364,284	-	-	(63)	-	-	364,221
Overnight accounts and loans	-	-	-	-	-	-	-
Amounts not classified	7,866	-	-	-	-	-	7,866
Term accounts and loans with credit institutions	70,162,690	-	-	(1,393)	-	-	70,161,297
Accounts and loans	860,021	-	-	(169)	-	-	859,852
Centralisation CDC	67,409,802	-	-	(539)	-	-	67,409,263
Securities and other assets received under repurchase agreements	1,892,867	-	-	(685)	-	-	1,892,182
Subordinated loans	101,416	-	-	(10)	-	-	101,406
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS AND SIMILAR	70,636,256	-	-	(1,466)	-	-	70,634,790

(in € thousands)	31.12.2018 Reported						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Sight deposit accounts and loans with credit institutions	15,766,765	-	-	(44)	-	-	15,766,721
Current accounts in debit	253,822	-	-	(44)	-	-	253,778
Overnight accounts and loans	15,500,000	-	-	-	-	-	15,500,000
Amounts not classified	12,943	-	-	-	-	-	12,943
Term accounts and loans with credit institutions	71,493,582	-	-	(1,477)	-	-	71,492,105
Accounts and loans	1,361,966	-	-	(353)	-	-	1,361,613
Centralisation CDC	69,466,140	-	-	(539)	-	-	69,465,601
Securities and other assets received under repurchase agreements	665,476	-	-	(585)	-	-	664,891
Subordinated loans	93,109	-	-	(12)	-	-	93,097
LOANS AND RECEIVABLES DUE FROM CREDIT INSTITUTIONS AND SIMILAR	87,353,456	-	-	(1,533)	-	-	87,351,923

5.7 Loans and receivables – customers

(in € thousands)	31.12.2019						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Sight deposit accounts and loans to customers	6,243,984	45,847	91,879	(8,322)	(3,872)	(72,126)	6,297,390
Retail current accounts in debit	313,153	38,915	59,725	(4,780)	(3,775)	(50,199)	353,039
Corporate current accounts in debit	276,118	5,906	10,944	(371)	(97)	(7,665)	284,835
Factoring	5,565,934	-	8,421	(3,171)	-	(2,949)	5,568,235
Overnight accounts and loans	-	-	-	-	-	-	-
Amounts not classified	21,942	-	11,223	-	-	(11,223)	21,942
Other sight accounts and loans to customers	66,837	1,026	1,566	-	-	(90)	69,339
Term accounts and loans to customers	101,111,990	2,833,558	1,215,267	(84,273)	(140,137)	(474,664)	104,461,741
Corporate	24,085,557	655,107	100,781	(32,408)	(38,237)	(44,545)	24,726,255
Short-term credit facilities	4,991,635	171,500	10,431	(3,511)	(4,201)	(7,796)	5,158,058
Home Loans	9,894,985	191,812	20,741	(5,248)	(6,622)	(3,081)	10,092,587
Equipment loans	6,386,902	49,773	5,939	(14,220)	(6,055)	(2,200)	6,420,139
Loans to financial customers	373,195	16,888	47	(346)	(1,404)	(17)	388,363
Other loans	2,438,840	225,134	63,623	(9,083)	(19,955)	(31,451)	2,667,108
Retail	70,160,517	2,178,451	1,114,486	(51,789)	(101,900)	(430,119)	72,869,646
Short-term credit facilities	4,538,722	538,708	401,603	(24,102)	(48,797)	(206,429)	5,199,705
Home loans	65,621,795	1,639,743	712,883	(27,687)	(53,103)	(223,690)	67,669,941
Securities and other assets received under repurchase agreements	6,865,916	-	-	(76)	-	-	6,865,840
Finance lease transactions	2,645,782	194,823	66,895	(2,542)	(2,621)	(33,303)	2,869,034
Equipment leasing	1,219,501	63,053	23,712	(1,848)	(1,098)	(14,508)	1,288,812
Real estate leasing	1,426,281	131,770	43,183	(694)	(1,523)	(18,795)	1,580,222
LOANS AND RECEIVABLES DUE FROM CUSTOMERS AT AMORTISED COST	110,001,756	3,074,228	1,374,041	(95,137)	(146,630)	(580,093)	113,628,165

	31.12.2018 Adjusted						
	Gross carrying amount			Impairments			Net carrying amount
(in € thousands)	B1	B2	B3	B1	B2	B3	
Sight deposit accounts and loans to customers	5,067,185	68,678	171,535	(6,187)	(4,956)	(103,904)	5,192,351
Retail current accounts in debit	291,563	49,622	72,059	(4,819)	(4,718)	(61,465)	342,242
Corporate current accounts in debit	298,300	17,802	5,761	(238)	(238)	(2,684)	318,703
Factoring	4,393,052	-	53,193	(1,130)	-	(778)	4,444,337
Overnight accounts and loans	-	-	-	-	-	-	-
Amounts not classified	15,994	-	38,855	-	-	(38,855)	15,994
Other sight accounts and loans to customers	68,276	1,254	1,667	-	-	(122)	71,075
Term accounts and loans to customers	85,114,118	2,313,826	1,198,284	(71,577)	(109,934)	(434,274)	88,010,443
Corporate	19,833,718	71,499	43,146	(20,744)	(3,540)	(16,684)	19,907,395
Short-term credit facilities*	3,793,252	3,997	8,918	(1,356)	(245)	(6,635)	3,797,931
Home Loans*	7,523,317	47,871	16,852	(2,782)	(1,728)	(6,677)	7,576,853
Equipment loans*	5,031,496	4,019	1,868	(4,059)	(414)	(416)	5,032,494
Loans to financial customers	371,434	8,264	14,536	(5,332)	(918)	(2,423)	385,561
Other loans*	3,114,219	7,348	972	(7,215)	(235)	(533)	3,114,556
Retail	65,265,217	2,242,327	1,155,138	(50,830)	(106,394)	(417,590)	68,087,868
Short-term credit facilities	4,270,793	554,550	381,784	(20,441)	(45,153)	(200,733)	4,940,800
Home loans	60,994,424	1,687,777	773,354	(30,389)	(61,241)	(216,857)	63,147,068
Securities and other assets received under repurchase agreements	15,183	-	-	(3)	-	-	15,180
Finance lease transactions	2,473,301	19,191	73,753	(1,923)	(2,177)	(28,954)	2,533,191
Equipment leasing	961,309	8,149	26,581	(1,164)	(255)	(11,355)	983,265
Real estate leasing	1,511,992	11,042	47,172	(759)	(1,922)	(17,599)	1,549,926
LOANS AND RECEIVABLES DUE FROM CUSTOMERS AT AMORTISED COST	92,654,604	2,401,695	1,443,572	(79,687)	(117,067)	(567,132)	95,735,985

* The other Corporate credit facilities published in 2018 for a net value of €5,670 million were reclassified in the amount of €723 million in cash credits, €437 million in home loans and €1,396 million in equipment loans.

5.8 Current and deferred tax assets and liabilities

(in € thousands)	31.12.2019	31.12.2018 Reported
Deferred tax assets	223,126	234,580
Current tax assets	363,529	343,672
TAX ASSETS	586,655	578,252
Deferred tax liabilities	142,305	105,564
Current tax liabilities	12,514	17,758
TAX LIABILITIES	154,819	123,322

Deferred tax assets primarily involve the home-savings provision, temporary differences linked to the fair values of financial instruments and the spreading of commissions on loans in the EIR.

Tax assets are restricted to the capacity of each tax entity to use them in the near future; deferred tax assets on unused tax losses stand at €39 million.

Breakdown of deferred tax assets by type

(in € thousands)	31.12.2018	Net profit/(loss)	Equity	Other	Changes in scope	31.12.2019
Home savings provision	65,516	(17,878)	-	-	-	47,638
Provisions for retirement commitments	10,087	373	-	-	-	10,460
Other non-deductible provisions	68,321	60,049	-	-	-	128,370
Other sources of timing differences	86,661	5,636	(0)	(1,746)	-	90,551
DEFERRED TAXES ARISING FROM TIMING DIFFERENCES	230,585	48,180	(0)	(1,746)	-	277,019
IFRS adjustment	(101,569)	(29,108)	(67,331)	1,810	-	(196,198)
NET DEFERRED TAXES	129,016	19,072	(67,331)	64	-	80,821

5.9 Accruals and other assets

(in € thousands)	31.12.2019	31.12.2018 Adjusted
Prepaid expenses and accrued income	299,801	338,638
Collection accounts	10,848	15,501
Other accruals	620,159	794,676
Accruals	930,808	1,148,815
Sundry debtors	1,597,400	1,533,518
Settlement accounts for securities transactions	677	1,026
Impairments	(6,129)	(5,424)
Other assets	1,591,948	1,529,120
Reinsurance companies' share of technical provisions	396,040	297,316
Receivables from insurance and reinsurance	243,851	237,666
Miscellaneous insurance assets	151,577	65,644
Other insurance assets	791,468	600,626
ACCRUALS AND OTHER ASSETS	3,314,224	3,278,561

5.10 Equity associates

31.12.2019					
(in € thousands)	Sector	% interest	Equity-accounted value	Contribution to the LBP Group net income	Contribution to the other items of the overall result of LBP Group
CNP Assurances Group	Insurance	20.15%	3,537,757	276,016	163,153
AEW	Asset management	40.00%	54,455	6,155	(765)
EQUITY ASSOCIATES			3,592,212	282,171	162,388

31.12.2018					
(in € thousands)	Sector	% interest	Equity-accounted value	Contribution to the LBP Group net income	Contribution to the other items of the overall result of LBP Group
CNP Assurances Group	Insurance	20.15%	3,213,842	262,859	(257,917)
AEW	Asset management	40.00%	52,978	5,368	114
EQUITY ASSOCIATES			3,266,820	268,227	(257,803)

The data published by the CNP Assurances Group show a balance sheet total of €440,366.3 million and revenue of €33,496.4 million. Capitalisation stood at €12,173.7 million at 31 December 2019, based on: 686,618,477 shares in circulation and a closing price of €17.73 per share.

Goodwill on entities accounted for using the equity method is included in the Group's share of the equity associates, in accordance with the accounting rules in effect.

5.11 Tangible and intangible fixed assets

(in € thousands)	31.12.2019			31.12.2018*		
	Gross amount	Depreciation, amortisation & impairment	Net amount	Gross amount	Depreciation, amortisation & impairment	Net amount
Land	170,158	(1,696)	168,462	170,158	(1,696)	168,462
Buildings	1,015,065	(506,736)	508,329	665,208	(313,585)	351,623
Plant, equipment and tools	31,796	(28,507)	3,289	27,628	(26,759)	869
IT hardware	7,222	(6,421)	801	6,782	(5,758)	1,024
Tangible fixed assets in progress	11,018	-	11,018	15,590	-	15,590
Other tangible fixed assets	540,849	(440,850)	99,999	521,710	(420,831)	100,879
Property, plant and equipment	1,776,108	(984,210)	791,898	1,407,076	(768,629)	638,447
Software and IT development costs	1,693,339	(1,180,608)	512,731	1,405,944	(1,056,413)	349,531
Intangible assets in progress	209,586	-	209,586	269,944	-	269,944
Policy portfolio of the insurance companies*	200,332	(96,112)	104,220	200,332	(83,861)	116,471
Other intangible assets*	39,632	(29,959)	9,673	36,623	(27,381)	9,242
Intangible fixed assets	2,142,889	(1,306,679)	836,210	1,912,843	(1,167,655)	745,188
TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS	3,918,997	(2,290,889)	1,628,108	3,319,919	(1,936,284)	1,383,635

* The presentation of the value of the portfolio of insurance contracts of insurance companies has been restated and set apart from the other intangible assets. In the financial statements at 31 December 2018, the net value of €116 million was shown in the gross carrying amount column. We recreated the historical amortisation of €84 million to present it in the Amortisation column in this comparison.

Table of changes in fixed assets

(in € thousands)	31.12.2018	Increases/allocations	Reductions/reversals	Other movements ⁽¹⁾	31.12.2019
Gross amount	1,407,076	120,662	(74,915)	323,285	1,776,108
Depreciation and amortisation & impairment	(768,629)	(123,560)	71,439	(163,460)	(984,210)
Property, plant and equipment	638,447	(2,898)	(3,476)	159,825	791,898
Gross amount	1,912,843	230,704	(1,289)	631	2,142,889
Depreciation, amortisation & impairment	(1,167,655)	(140,234)	1,289	(79)	(1,306,679)
Intangible fixed assets	745,188	90,470	-	552	836,210
TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS	1,383,635	87,572	(3,476)	160,377	1,628,108

(1) The other movements include the impacts of the first application of IFRS 16 (See "Note 3 "Effect of the application of IFRS 16 on 1 January 2019").

5.12 Goodwill

Movements during the period

(in € thousands)	31.12.2019	31.12.2018 Reported
NET BOOK VALUE AT 1 JANUARY	160,227	160,227
Goodwill arising on equity investments	-	-
Disposals	-	-
Impairment for the period	-	-
Other movements	-	-
NET BOOK VALUE AT 31 DECEMBER	160,227	160,227

Breakdown of goodwill

(in € thousands)	31.12.2019	31.12.2018 Reported
Tocqueville Finance Group	27,498	27,498
La Banque Postale Asset Management	38,429	38,429
La Banque Postale Prévoyance	94,300	94,300
Easybourse	4,722	4,722
Total gross goodwill	164,949	164,949
Goodwill amortisation	(4,722)	(4,722)
TOTAL NET GOODWILL	160,227	160,227

5.13 Liabilities due to credit institutions and similar

(in € thousands)	31.12.2019	31.12.2018 Reported
Current accounts in credit	1,109,050	1,263,421
Overnight accounts and borrowings	44,508	-
Other amounts owed	24,577	15,100
Sight liabilities due to credit institutions	1,178,135	1,278,521
Accounts and borrowings	4,170,211	2,980,388
Securities and other assets delivered under repurchase agreements	25,366,566	14,618,338
Term liabilities due to credit institutions	29,536,777	17,598,726
LIABILITIES DUE TO CREDIT INSTITUTIONS AND SIMILAR	30,714,912	18,877,248

5.14 Liabilities due to customers

(in € thousands)	31.12.2019	31.12.2018 Reported
Livret A	61,497,710	60,616,446
Home savings schemes and accounts	31,364,793	31,804,658
Other special accounts	22,059,535	22,110,498
Special scheme savings accounts	114,922,038	114,531,602
Sight deposit accounts in credit	71,112,418	65,671,405
Overnight accounts and borrowings	1,254,784	778,166
Other amounts owed	963,661	800,115
Sight liabilities due to customers	73,330,863	67,249,686
Term deposit accounts and borrowings	-	43,676
Term deposit accounts in credit	37,478	51,689
Securities delivered under term repurchase agreements	2,725,362	3,934,299
Term liabilities to customers	2,762,840	4,029,664
LIABILITIES TO CUSTOMERS	191,015,741	185,810,952

5.15 Debt securities

(in € thousands)	31.12.2019	31.12.2018 Reported
Certificates of deposit and treasury bills	10,883,994	8,110,381
Bond borrowings ⁽¹⁾	12,854,797	8,823,324
Other debt securities	320	213
DEBT SECURITIES	23,739,111	16,933,918

(1) Including €8.8 billion of covered bonds issued by La Banque Postale Home Loan SFH compared to €6.6 billion at 31 December 2018.

5.16 Accruals and other payables

(in € thousands)	31.12.2019	31.12.2018 reported
Accrued expenses and deferred income	551,622	574,602
Other accruals	1,479,630	1,684,187
Accruals	2,031,252	2,258,789
Securities-related liabilities	290,738	461,197
Guarantee deposits received	1,399,739	1,133,946
Other payables	1,279,605	1,079,845
Settlement accounts for securities transactions	8,525	6,923
Other liabilities	2,978,607	2,681,911
Liabilities from insurance and reinsurance	142,352	115,688
Miscellaneous insurance liabilities	120,202	3,402
Other insurance liabilities	262,554	119,090
ACCRUALS AND OTHER LIABILITIES	5,272,413	5,059,790

5.17 Technical provisions of the insurance companies

(in € thousands)	31.12.2019			31.12.2018		
	Gross of reinsurance	Reinsurance	Net of reinsurance	Gross of reinsurance	Reinsurance	Net of reinsurance
Non-life insurance policies	1,482,542	393,651	1,088,891	1,354,317	292,787	1,061,530
Life insurance policies	944,824	2,389	942,435	1,042,471	4,529	1,037,942
of which life insurance mathematical provisions	829,078	888	828,190	872,899	913	871,986
TECHNICAL PROVISIONS	2,427,366	396,040	2,031,326	2,396,788	297,316	2,099,472

(in € thousands)	31.12.2019			31.12.2018		
	Gross reinsurance	Reinsurance	Net reinsurance	Gross reinsurance	Reinsurance	Net reinsurance
Net deferred profit-sharing	124,682	-	124,682	82,831	-	82,831
SHADOW ACCOUNTING	124,682	-	124,682	82,831	-	82,831

Deferred participating liabilities

(in € thousands)	31.12.2019	31.12.2018
Deferred participation on revaluation of assets through profit and loss	35,791	16,174
Deferred participation on revaluation of assets through equity	84,992	61,822
Other deferred participations	3,899	4,835
TOTAL DEFERRED PROFIT-SHARING	124,682	82,831

The provision for deferred profit-sharing arises from the use of "shadow accounting": it represents the share of policyholders of life insurance subsidiaries in unrealised gains and losses and

impairment charged on assets, when the remuneration of contracts is tied to their returns.

These are provisions booked primarily by La Banque Postale Prévoyance and La Banque Postale Assurances IARD.

5.18 Provisions

(in € thousands)	01.01.2019	Allocations	Reversals	Reversals of unused provisions	Other	31.12.2019
Provisions for employee benefits	39,357	4,765	(103)	(24)	(3,109)	40,886
Provisions for risk on home savings plans and accounts	252,246	38	(68,600)	-	-	183,684
Provisions for labour disputes and benefits expenses	7,098	5,589	(3,916)	(661)	-	8,110
Provisions for guarantee commitments	458	9,534	(8,842)	-	-	1,149
Provisions for financing commitments	46,384	35,845	(43,141)	-	-	39,088
Other provisions for liabilities and charges	123,224	18,858	(56,138)	(21,199)	(397)	64,348
PROVISIONS	468,767	74,629	(180,740)	(21,884)	(3,506)	337,265

(in € thousands)	01.01.2018	Allocations	Reversals	Reversals of unused provisions	Other	31.12.2018
Provisions for employee benefits	30,717	3,466	(873)	(26)	6,073	39,357
Provisions for risk on home savings plans and accounts	293,826	20	(41,600)	-	-	252,246
Provisions for labour disputes and benefits expenses	10,455	4,607	(6,685)	(1,279)	-	7,098
Provisions for guarantee commitments	238	417	(197)	-	-	458
Provisions for financing commitments	62,400	15,567	(31,583)	-	-	46,384
Other provisions for liabilities and charges	143,522	71,879	(5,259)	(84,063)	(2,855)	123,224
PROVISIONS	541,158	95,956	(86,197)	(85,368)	3,218	468,767

Information relating to home savings plans and accounts (in millions of euros)

Generations	2018 provision	Deposits collected	Loans granted in respect of PEL and CEL accounts	2019 provision	Net change
Over 10 years – home savings plan	68	8,223	-	74	6
4 to 10 years – home savings plan	126	16,862	-	90	(36)
Less than 4 years – home savings plan	38	2,009	-	9	(29)
Total Home Savings Plans (PEL)	232	27,094	16	172	(60)
Total Home Savings Accounts (CEL)	20	4,269	110	12	(8)
TOTAL	252	31,363	126	184	(68)

5.19 Subordinated debt

(in € thousands)	31.12.2019	31.12.2018
Subordinated debt ⁽¹⁾	3,096,919	3,879,757
SUBORDINATED DEBT	3,096,919	3,879,757

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

Subordinated debt breaks down as follows:

(in € thousands)	Date of issue	Maturity date	Rate used	Amount of the issue	Currency	31.12.2019 ⁽¹⁾	31.12.2018 ⁽¹⁾
Redeemable subordinated debt						3,096,919	3,079,757
Fixed-term subordinated debt ⁽²⁾	30.11.2010	30.11.2020	4.375%	750,000	EUR	775,021	795,686
Fixed-term subordinated debt ⁽²⁾	23.04.2014	23.04.2026	2.750%	750,000	EUR	779,165	785,540
Fixed-term subordinated debt ⁽³⁾	19.11.2015	19.11.2027	2.750%	750,000	EUR	748,746	748,299
Fixed-term subordinated debt ⁽⁴⁾	09.06.2016	09.06.2028	3.000%	500,000	EUR	507,011	503,386
Fixed-term subordinated debt ⁽⁴⁾	05.10.2016	05.10.2028	2.250%	100,000	EUR	102,224	95,830
Fixed-term subordinated debt ⁽⁵⁾	16.01.2017	09.06.2028	2.250%	150,000	EUR	184,752	151,016
Perpetual subordinated debt						0	800,000
Perpetual subordinated debt ⁽⁶⁾	13.12.2013		8.000%	800,000	EUR	0	800,000
SUBORDINATED DEBT						3,096,919	3,879,757

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

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

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

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

(5) La Banque Postale issued a €150 million bond in 2017.

(6) La Banque Postale increased its equity by €800 million following the conversion into shares of AT1 bonds issued in 2013 and held entirely by La Poste.

5.20 Equity

Change and composition of capital

At 31 December 2019, La Banque Postale's capital consisted of 40,275,255 shares with a nominal value of €115.

La Banque Postale increased its equity by €800 million on 27 May 2019 following the conversion into shares of AT1 bonds issued in 2013, held entirely by La Poste (See note "Highlights of the year, 1.2 Conversion of AT1 bonds to shares").

Perpetual subordinated securities classified in equity

La Banque Postale issued its first Additional Tier 1 bond in the amount of €750 million on 14 November 2019 (See the Note "Highlights of the year, 1.3 Additional Tier 1 bond issue").

Description	Date of issue	Rate used	Amount of the issue	Currency	31.12.2019	31.12.2018
Perpetual subordinated securities	14.11.2019	3.875%	750,000	EUR	744,096	0
TOTAL					744,096	0

5.21 Breakdown of assets by contractual maturity

The governance relating to the management of liquidity levels provides support to the Bank enabling it to serenely develop its financing activities. The way in which La Banque Postale manages liquidity risk is described in Chapter 4 of the to the Universal Registration Document in the note **Financial risk procedures**.

The tables below show the maturities of the Group's financial assets and liabilities by contractual maturity date.

Fixed-income securities, loans and debt are broken down according to their contractual maturity date. Equity investments and UCITS have been entered in the "Indefinite" column. Sight receivables and debt are shown in the "Less than three months" column. The amounts presented in this schedule correspond to those on the balance sheet (including the effects of discounting).

Balance sheet items by remaining periods to maturity as at 31 December 2019

(in € thousands)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
ASSETS						
Cash, central banks	22,412,492	-	-	-	-	22,412,492
Financial assets at fair value through profit or loss	1,803,791	4,881,151	1,011,835	1,992,658	1,215,202	10,904,637
Hedging derivatives – Assets	208	43,772	895,160	548,665	-	1,487,805
Financial assets at fair value through equity	244,073	900,606	7,481,710	6,073,970	358,210	15,058,569
Securities at amortised cost	388,431	3,228,171	8,697,352	15,754,057	-	28,068,011
Loans and receivables due from credit institutions	49,713,774	4,100,067	11,044,731	5,776,218	-	70,634,790
Loans and receivables due from customers	12,059,247	12,029,890	30,558,149	58,980,879	-	113,628,165
Revaluation differences on interest rate hedged portfolios – Assets	-	516	103,189	103,208	-	206,913
ASSETS BY REMAINING PERIODS TO MATURITY	86,622,016	25,184,173	59,792,126	89,229,655	1,573,412	262,401,382
LIABILITIES						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	33,901	19,511	353,825	1,180,054	-	1,587,291
Hedging derivatives – Liabilities	8,820	5,385	197,159	379,311	-	590,675
Liabilities due to credit institutions	15,491,662	2,331,866	5,651,449	7,239,935	-	30,714,912
Liabilities to customers	190,897,258	617	117,866	-	-	191,015,741
Debt securities	8,294,295	3,792,615	2,830,978	8,821,223	-	23,739,111
Subordinated debt	22,941	773,029	17,747	2,283,202	-	3,096,919
Revaluation differences on interest rate hedged portfolios – Liabilities	61	152	678,779	159,646	-	838,638
LIABILITIES BY REMAINING PERIODS TO MATURITY	214,748,938	6,923,175	9,847,803	20,063,371	-	251,583,287

Balance sheet items by remaining periods to maturity as at 31 December 2018 (restated)

(in € thousands)	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Indefinite	Total
ASSETS						
Cash, central banks	2,006,794	-	-	-	-	2,006,794
Financial assets at fair value through profit or loss	1,445,174	5,666,752	972,985	1,399,069	1,134,773	10,618,754
Hedging derivatives – Assets	17,108	13,983	517,920	610,289	-	1,159,300
Financial assets at fair value through equity	388,831	759,763	7,450,005	7,110,525	287,775	15,996,898
Securities at amortised cost	542,422	2,501,673	14,225,097	6,312,699	-	23,581,890
Loans and receivables due from credit institutions	85,809,993	43,860	479,099	1,018,971	-	87,351,923
Loans and receivables due from customers	8,002,433	7,510,972	28,774,297	51,448,283	-	95,735,985
Revaluation differences on interest rate hedged portfolios – Assets	-	3,748	19,545	58,622	-	81,914
ASSETS BY REMAINING PERIODS TO MATURITY	98,212,755	16,500,751	52,438,947	67,958,457	1,422,548	236,533,458
LIABILITIES						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	27,460	11,826	276,756	493,172	-	809,214
Hedging derivatives – Liabilities	1,381	23,129	94,051	229,093	-	347,654
Liabilities due to credit institutions	15,586,968	2,707,973	229,574	352,733	-	18,877,248
Liabilities to customers	184,993,796	9,840	793,116	14,200	-	185,810,952
Debt securities	6,217,987	2,117,165	903,709	7,695,057	-	16,933,918
Subordinated debt	21,222	-	794,537	2,263,998	800,000	3,879,757
Revaluation differences on interest rate hedged portfolios – Liabilities	427	1,368	347,504	393,556	-	742,855
LIABILITIES BY REMAINING PERIODS TO MATURITY	206,849,241	4,871,301	3,439,248	11,441,809	800,000	227,401,599

5.22 Transferred assets not derecognised in their entirety

Nature of the transferred assets

(in € thousands)	Transferred assets not				
	Transferred assets still recognised in full				
	Transferred assets				
	Carrying amount	Of which securitisation (special-purpose entities)	Of which repurchase transactions	Of which other	Fair value
Transferred financial assets – Fair value through profit or loss held for trading	255,305	-	15,045	240,261	255,305
Equity instruments	-	-	-	-	-
Debt securities	255,305	-	15,045	240,261	255,305
Loans and advances	-	-	-	-	-
Transferred financial assets – Fair value through OCI with and without recycling	2,943,410	-	2,943,410	-	2,943,410
Debt instruments	2,943,410	-	2,943,410	-	2,943,410
Loans and advances	-	-	-	-	-
Equity instruments	-	-	-	-	-
Instruments at amortised cost	22,676,045	-	21,198,288	1,477,758	24,102,031
Debt securities	22,676,045	-	21,198,288	1,477,758	24,102,031
Loans and advances	-	-	-	-	-
TOTAL TRANSFERRED FINANCIAL ASSETS	25,874,760	-	24,156,743	1,718,019	27,300,746

derecognised in their entirety

Transferred assets recognised to the extent of
continuing involvement of the entity

Associated liabilities							
Carrying amount	Of which securitisation (special-purpose entities)	Of which repurchase transactions	Of which other	Fair value	Total carrying amount of the initial assets before their transfer	Carrying amount still recognised (continuing involvement)	Carrying amount of the associated liabilities
15,050	-	15,050	-	15,045	-	-	-
-	-	-	-	-	-	-	-
15,050	-	15,050	-	15,045	-	-	-
-	-	-	-	-	-	-	-
2,970,440	-	2,970,440	-	3,082,713	-	-	-
2,970,440	-	2,970,440	-	3,082,713	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
22,927,184	-	22,927,184	-	24,647,091	-	-	-
22,927,184	-	22,927,184	-	24,647,091	-	-	-
-	-	-	-	-	-	-	-
25,912,674	-	25,912,674	-	27,744,849	-	-	-

5.23 Additional information about sovereign exposure to certain European Union countries

At 31 December 2019, La Banque Postale's direct and indirect exposure to PIIGS (Greece, Ireland, Italy, Portugal and Spain) stood at €3.34 billion.

The breakdown of direct and indirect sovereign exposure is as follows:

Sovereign exposure to 31 December 2019

(in € thousands)	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%
Greece	-	16	16	-	-	16	0.0%
Ireland	2,136	-	2,136	-	-	2,136	0.0%
Italy	292,450	680,627	973,077	3,260	-	976,337	0.9%
Portugal	419,531	-	419,531	-	-	419,531	0.4%
Spain	1,743,470	195,951	1,939,421	-	-	1,939,421	1.8%
Total PIIGS	2,457,587	876,594	3,334,181	3,260	-	3,337,441	3.1%
Germany	2,795,115	-	2,795,115	227,612	-	3,022,727	2.9%
Austria	14,199	-	14,199	-	-	14,199	0.0%
Belgium	3,659,664	-	3,659,664	309,870	-	3,969,534	3.7%
France	87,150,585	628,963	87,779,548	6,328,083	761,201	94,868,832	89.5%
Great Britain	-	-	-	-	-	-	0.0%
Luxembourg	57,375	-	57,375	-	-	57,375	0.1%
Netherlands	177,895	-	177,895	-	-	177,895	0.2%
Poland	16,461	-	16,461	-	-	16,461	0.0%
Romania	-	-	-	-	-	-	0.0%
Slovenia	5,147	-	5,147	-	-	5,147	0.0%
Switzerland	29,028	-	29,028	-	-	29,028	0.0%
Total Europe	93,905,469	628,963	94,534,432	6,865,565	761,201	102,161,198	96.3%
Rest of the world	538,752	-	538,752	-	-	538,752	0.5%
TOTAL	96,901,808	1,505,557	98,407,365	6,868,825	761,201	106,037,391	100.0%

Identification based on the scope defined by the EBA, including local and regional authorities or bodies benefiting from a government guarantee.

These exposures include deposits centralised with the CDC.

(1) Direct exposure: fair value or gross carrying amount of exposures on the Bank's own account.

(2) Direct and indirect exposures: direct exposures in addition to indirect exposures *via* securities received by the Group as part of securities financing transactions, forward purchases and off-balance sheet.

Sovereign exposure as at 31 December 2018 (restated data)

(in € thousands)	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%)
Italy	158,420	848,891	1,007,311	184,328	-	1,191,639	1.0%
Portugal	302,424	249,454	551,878	-	-	551,878	0.5%
Spain	112,101	723,339	835,440	-	-	835,440	0.7%
Total PIIGS	572,945	1,821,684	2,394,629	184,328	-	2,578,957	2.2%
Germany	3,240,492	-	3,240,492	-	-	3,240,492	2.8%
Austria	14,783	-	14,783	-	-	14,783	0.0%
Belgium	3,073,084	-	3,073,084	-	-	3,073,084	2.7%
France	103,821,951	155,086	103,977,037	30,904	668,782	104,676,723	90.9%
Great Britain	2	-	2	-	-	2	0.0%
Luxembourg	194,126	-	194,126	-	-	194,126	0.2%
Netherlands	151,505	-	151,505	-	-	151,505	0.1%
Poland	16,576	-	16,576	26,192	-	42,768	0.0%
Romania	19,757	-	19,757	-	-	19,757	0.0%
Slovenia	5,195	-	5,195	-	-	5,195	0.0%
Switzerland	28,897	-	28,897	-	-	28,897	0.0%
Total Europe	110,566,368	155,086	110,721,454	57,096	668,782	111,447,332	96.8%
Rest of the world	949,367	13	949,380	166,181	-	1,115,561	1.0%
TOTAL	112,088,680	1,976,783	114,065,463	407,605	668,782	115,141,850	100.0%

Identification based on the scope defined by the EBA, including local and regional authorities or bodies benefiting from a government guarantee.

These exposures include deposits centralised with the CDC.

(1) Direct exposure: fair value or gross carrying amount of exposures on the Bank's own account.

(2) Direct and indirect exposures: direct exposures in addition to indirect exposures *via* securities received by the Group as part of securities financing transactions, forward purchases and off-balance sheet.

NOTE 6

NOTES TO THE INCOME STATEMENT

6.1 Interest income and expense and similar items

(in € thousands)	31.12.2019	Including negative interest	31.12.2018 adjusted	Including negative interest
On financial assets valued at amortised cost	3,745,140	140,961	3,657,991	110,108
Transactions with credit institutions	1,221,730	123,990	1,198,309	92,116
Customer transactions	1,899,831	16,916	1,799,751	17,608
Finance lease transactions	39,359	-	36,313	-
Securities transactions at amortised cost	584,220	55	623,618	384
On financial assets at fair value through OCI with recycling	165,381	-	141,560	-
Transactions with credit institutions	-	-	-	-
Customer transactions	-	-	-	-
Debt securities	165,381	-	141,560	-
Interest accrued and due on hedging instruments	347,300	-	310,660	-
Other interest and similar income	-	-	-	-
Interest income	4,257,821	140,961	4,110,211	110,108
On financial liabilities at amortised cost	(1,775,577)	(72,879)	(1,716,750)	(68,838)
Transactions with credit institutions	(94,076)	(63,248)	(99,829)	(68,833)
Customer transactions	(1,368,019)	(9,631)	(1,367,047)	(5)
Debt securities	(313,482)	-	(249,874)	-
Interest accrued and due on hedging instruments	(144,337)	-	(123,545)	-
Other interest and similar expense	-	-	-	-
Interest expense	(1,919,914)	(72,879)	(1,840,295)	(68,838)
INTEREST AND SIMILAR INCOME AND EXPENSE	2,337,907		2,269,916	

The amount of interest and remuneration received in respect of the centralisation of deposits of the Livret A, the Sustainable Development accounts (LDD) and the National Savings accounts (LEP) amounted to €1,080 million as at 31 December 2019, compared with €1,070 million as at 31 December 2018.

6.2 Net commissions

(in € thousands)	31.12.2019	
	Income	Expenses
Commissions on cash and interbank transactions	56,107	(5,178)
Commissions on customer transactions	1,219,585	(2,608)
Commissions on financial services provided	931,374	(205,227)
Commissions on securities transactions	329,832	(21,708)
Commissions on financial instruments	-	(446)
Commissions on insurance services provided	45,280	(78,534)
Other commissions	72,907	(2,777)
Commission income and expenses	2,655,085	(316,478)
NET COMMISSIONS	2,338,607	

(in € thousands)	31.12.2018 adjusted	
	Income	Expenses
Commissions on cash and interbank transactions	85,850	(3,361)
Commissions on customer transactions	1,290,506	(1,210)
Commissions on financial services provided	915,560	(200,091)
Commissions on securities transactions	328,881	(20,419)
Commissions on financial instruments	-	(297)
Commissions on insurance services provided	42,993	(58,278)
Other commissions	68,454	(3,730)
Commission income and expenses	2,732,244	(287,386)
NET COMMISSIONS	2,444,858	

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

(in € thousands)	31.12.2019	31.12.2018 Adjusted
Dividends received	5,484	5,224
Changes in the fair value of financial assets and liabilities through profit or loss	63,244	8,290
Changes in fair value and interest on financial assets and liabilities held for trading	(3,497)	15,352
Changes in fair value and interest on financial assets and liabilities not meeting SPPI criteria	111,919	(20,965)
Changes in fair value and interest on financial assets and liabilities on option	(45,178)	13,903
Gains or losses on financial assets and liabilities through profit or loss	42,027	14,884
Gains or losses on financial assets and liabilities held for trading	(5,599)	(4,559)
Gains or losses on financial assets and liabilities not meeting SPPI criteria	47,626	19,443
Gains or losses on financial assets and liabilities on option	-	-
Result of the hedge accounting	(477)	(1,807)
Result on forex transactions	-	-
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	110,278	26,591

The result of the hedge accounting breaks down as follows:

(in € thousands)	31.12.2019		
	Profits	Losses	Net
Fair value hedges	670,004	(670,481)	(477)
Changes in fair value of hedged items attributable to the hedged risks	278,392	(386,569)	(108,177)
Changes in fair value of hedging derivatives (including hedge termination)	391,612	(283,912)	107,700
Cash flow hedges	-	-	-
Changes in fair value of hedging derivatives – ineffective portion	-	-	-
Interest rate fair value hedges of a portfolio of financial instruments	-	-	-
Changes in fair value of hedged items	-	-	-
Changes in fair value of hedging derivatives	-	-	-
Interest rate cash flow hedges of a portfolio of financial instruments	-	-	-
Changes in fair value of the hedging instrument – ineffective portion	-	-	-
RESULT OF THE HEDGE ACCOUNTING	670,004	(670,481)	(477)

(in € thousands)	31.12.2018 reported		
	Profits	Losses	Net
Fair value hedges	500,297	(502,104)	(1,807)
Changes in fair value of hedged items attributable to the hedged risks	214,728	(42,296)	172,432
Changes in fair value of hedging derivatives (including hedge termination)	285,569	(459,808)	(174,239)
Cash flow hedges	-	-	-
Changes in fair value of hedging derivatives – ineffective portion	-	-	-
Interest rate fair value hedges of a portfolio of financial instruments	-	-	-
Changes in fair value of hedged items	-	-	-
Changes in fair value of hedging derivatives	-	-	-
Interest rate cash flow hedges of a portfolio of financial instruments	-	-	-
Changes in fair value of the hedging instrument – ineffective portion	-	-	-
RESULT OF THE HEDGE ACCOUNTING	500,297	(502,104)	(1,807)

6.4 Net gains and losses on financial instruments at fair value through other comprehensive income

(in € thousands)	31.12.2019	31.12.2018 Adjusted
Dividends received on equity instruments recognised at fair value through OCI without recycling	18,018	17,968
Gains or losses on disposals recorded at fair value through OCI with recycling	107,687	322,748
► On debt securities	107,687	322,748
► On loans and receivables	-	-
Gains or losses on the sale or termination of the fair value hedging instruments of debt instruments	-	-
Gains or losses on the disposal of debt instruments related to securitisation transactions	-	-
NET GAINS AND LOSSES ON FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME	125,705	340,716

6.5 Gains and losses on the derecognition of debt instruments recognised at amortised cost

(in € thousands)	31.12.2019		31.12.2018	
	Income	Expenses	Income	Expenses
Gains and losses on derecognition events	321,990	(56)	-	-
Debt instruments	321,990	(56)	-	-
GAINS AND LOSSES ON THE DERECOGNITION OF FINANCIAL ASSETS RECOGNISED AT AMORTISED COST	321,934		-	

The disposal of the ALM portfolio debt securities carried out during the first half of the year is part of the programme to extend the duration of fixed-rate assets to offset that of the sight deposits while maintaining the risk profile. La Banque Postale had to review the outflows of sight deposits to take into account the growth of its business (notably, taking account of corporate behaviour, different

from the behaviour of private individuals) and to be more in line with the duration of the outflows in question in the market place. This disposal call into question the documentation of the portfolio management model.

The additional disposal carried out during the second half of the year meet the thresholds set for the implementation of IFRS 9.

6.6 Total income and expenses from other activities

(in € thousands)	31.12.2019		31.12.2018 Adjusted	
	Income	Expenses	Income	Expenses
Income retrocessions, re-invoiced expenses, expense transfers	28,821	-	31,377	-
Other operating income and expenses	324,797	(305,696)	176,359	(164,924)
Provisions for other operating expenses	14,972	(11,299)	52,120	(14,172)
Other income from insurance and reinsurance	974,972	(593,308)	969,618	(577,547)
Income and expenses from other activities	1,343,562	(910,303)	1,229,474	(756,643)
NET INCOME AND EXPENSES FROM OTHER ACTIVITIES	433,259		472,831	

6.7 General operating expenses

(in € thousands)	31.12.2019	31.12.2018*
Personnel costs	(620,953)	(565,222)
Taxes, duties and miscellaneous contributions ⁽¹⁾	(107,545)	(104,157)
External services	(3,438,394)	(3,482,861)
Other expenses	(273,674)	(266,254)
Other general operating expenses	(3,819,613)	(3,853,272)
GENERAL OPERATING EXPENSES	(4,440,566)	(4,418,494)

(1) including contributions to the supervisory bodies.

* Re-invoiced expenses at 31 December 2018 were reclassified on the "Other expenses" line by the "Personnel costs" line in the amount of €150 million and by the "External services" services line in the amount of €61,111 thousand.

Average number of employees during the year

	31.12.2019	31.12.2018
Executive positions	3,986	3,674
Non-executive positions	1,335	1,258
TOTAL	5,321	4,932

6.8 Cost of risk

(in € thousands)	31.12.2019	31.12.2018 Reported
Bucket 1 – Healthy assets – 12-month expected losses	(17,306)	(32,556)
Bucket 2 – Sensitive assets – Lifetime expected losses	(38,110)	53,823
Bucket 3 – Impaired assets	(96)	(24,704)
Impairment provisions net of reversals	(55,512)	(3,437)
Amounts recovered on amortised receivables	9,738	6,033
Credit losses	(130,070)	(135,287)
Other losses or income	(2,612)	(492)
COST OF RISK	(178,456)	(133,183)

6.9 Gains and losses on other assets

(in € thousands)

	31.12.2019	31.12.2018 Reported
Gains and losses on disposals of loans and receivables	(159)	(637)
GAINS AND LOSSES ON OTHER ASSETS	(159)	(637)

6.10 Change in the value of goodwill

No change in the value of goodwill was recorded during the 2019 financial year.

6.11 Income tax and deferred taxes

(in € thousands)

	31.12.2019	31.12.2018 Reported
Current tax	(291,980)	(147,175)
Deferred taxes	19,072	(126,515)
TAXES	(272,908)	(273,690)

Tax expense analysis:

(in € thousands)

	31.12.2019		31.12.2018 reported	
Net income, Group share	780,451		725,908	
Share of non-controlling interests	5,301		39,735	
Share of profits of equity associates	(282,171)		(268,227)	
Income tax expense	272,908		273,690	
Pre-tax net income	776,488		771,106	
Theoretical income tax expense	(267,345)	34.43%	(265,492)	34.43%
Permanent difference effects	(10,219)	1.32%	(15,484)	2.01%
Tax rate effects	16,079	-2.07%	12,855	-1.67%
Dividend taxation effect	(4,282)	0.55%	(3,121)	0.40%
Other effects	(7,141)	0.92%	(2,448)	0.32%
RECOGNISED INCOME TAX EXPENSE	(272,908)	35.15%	(273,690)	35.49%

NOTE 7 INSURANCE ACTIVITY

7.1 Insurance activity placements

(in € thousands)	31.12.2019	31.12.2018
Financial assets at fair value through profit or loss (a)	434,829	380,586
Financial assets at fair value through other comprehensive income with recycling (b)	2,234,017	2,132,448
INVESTMENTS OF THE INSURANCE ACTIVITIES	2,668,846	2,513,034

(a) Financial assets at fair value through profit or loss

(in € thousands)	31.12.2019	31.12.2018
Debt instruments	272,375	256,452
Government paper and similar securities	-	-
Bonds and other fixed-income securities	7,187	9,793
UCITS	265,188	246,659
Equity instruments	162,454	124,134
Equities and other variable-income securities	162,454	124,134
Derivative instruments	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	434,829	380,586

(b) Financial assets at fair value through other comprehensive income with recycling

(in € thousands)	31.12.2019		
	Fair value	Impairment	Unrealised gains/losses
Government paper and similar securities	918,103	(42)	64,344
Bonds and other fixed-income securities	1,315,914	(313)	68,703
Total debt instruments	2,234,017	(355)	133,047
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITH RECYCLING	2,234,017	(355)	133,047
Tax			(39,978)
Gains and losses recognised directly in equity on debt instruments at fair value through other comprehensive income with recycling (net of tax) on insurance investments			93,069

	31.12.2018		
	Fair value	Impairment	Unrealised gains/losses
Government paper and similar securities	893,510	(55)	8,497
Bonds and other fixed-income securities	1,238,938	(306)	70,241
Total debt instruments	2,132,448	(361)	78,738
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITH RECYCLING	2,132,448	(361)	78,738
Tax			(21,011)
Gains and losses recognised directly in equity on debt instruments at fair value through other comprehensive income with recycling (net of tax) on insurance investments			57,727

The debt instruments at fair value through OCI with recycling of the insurance companies are classified in bucket 1.

7.2 Net income from insurance companies

(in € thousands)	31.12.2019	31.12.2018 Reported
Turnover	974,900	969,778
Premiums written	991,753	980,192
Change in unearned premiums	(16,853)	(10,414)
Sub-total – Retained premiums	974,900	969,778
Income from investments net of expenses	107,624	38,734
Income from investments incl. investment properties	49,083	50,836
Expenses on investments and other financial charges	(2,925)	(6,733)
Gains and losses on disposals of investments	10,866	(1,671)
Change in fair value of investments recognised at fair value through profit or loss	50,600	(3,698)
Results of the fair value hedges	-	-
Amortisation of deferred acquisition costs	-	-
Expenses on services external to the contracts	(536,124)	(555,424)
Commissions on the insurance activities	(36,031)	(15,594)
Result of reinsurance assets	(57,112)	(22,195)
NET INCOME OF THE INSURANCE COMPANIES	453,257	415,299

7.3 Impact of the application of the overlay approach for the insurance entities of the La Banque Postale Group

Value of the financial assets to which the overlay approach is applied:

(in € thousands)	31.12.2019		31.12.2018	
	Carrying amount	Change in fair value	Carrying amount	Change in fair value
UCITS	202,926	6,335	197,734	(6,871)
Equities and other variable-income securities	162,437	14,176	124,121	(8,373)
Bonds	7,187	70	9,793	221
Other financial assets	-	-	-	-
TOTAL	372,550	20,581	331,648	(15,023)

Effect of the application of the overlay approach to net income items:

(in € thousands)	31.12.2019			31.12.2018		
	IAS 39	IFRS 9	Overlay impact	IAS 39	IFRS 9	Overlay impact
Net income of the insurance companies	15,387	35,968	-	6,608	(8,416)	-
Overlay impact	-	-	(20,581)	-	-	15,023
Net banking income	15,387	35,968	(20,581)	6,608	(8,416)	15,023
Deferred taxes	(1,378)	(5,526)	4,148	311	2,741	(2,429)
NET INCOME	14,009	30,442	(16,433)	6,919	(5,675)	12,594

NOTE 8 IFRS 16

Usage rights

(in € thousands)	31.12.2019
Usage rights	171,489
Intangible assets excluding usage rights	620,409
TOTAL TANGIBLE FIXED ASSETS	791,898

Usage rights details (net values)

(in € thousands)	31.12.2019				Amount at 31 December 2019
	Amount at 1 January 2019	New leases	Depreciation	Changes in leases	
Buildings	148,571	52,285	(36,798)	(2,815)	161,243
Vehicles	6,449	4,642	(3,518)	(68)	7,505
Other	5,343	533	(3,135)	0	2,741
TOTAL USAGE RIGHTS	160,363	57,460	(43,451)	(2,883)	171,489

Lease debt

(in € thousands)	31.12.2019
Lease debt	182,654
Accruals and other liabilities, excluding lease debt	5,089,759
TOTAL ACCRUALS AND OTHER LIABILITIES	5,272,413

Analysis of the lease debt by residual maturity

(in € thousands)	31.12.2019
Less than 1 year	45,120
Between 1 and 5 years	110,664
More than 5 years	26,870
TOTAL RENTAL DEBT	182,654

Changes in lease debt

(in € thousands)	31.12.2019
Amount at 1 January 2019	170,959
New debt from new leases	57,455
Debt repayment	(42,646)
Changes in leases	(3,114)
AMOUNT AT 31 DECEMBER 2019	182,654

Effect of lease contracts on the income statement

(in € thousands)	31.12.2019
Interest and similar expenses	
Interest expenses on lease obligations	(163)
General operating expenses	
Sub-lease income from usage rights assets	1,526
Gains or losses from disposal-lease transactions	0
Expenses recognised on short-term lease assets	(2,827)
Expenses recognised on low-value assets	(399)
Expenses for the payment of variable leases not taken into account when evaluating the debt	(895)
Non-deductible lease VAT	(9,361)
Other	132
Depreciation and amortisation and impairment of tangible and intangible fixed assets	
Amortisation of usage rights	(43,451)
TOTAL EXPENSES FROM LEASE CONTRACTS	(55,438)

Finance lease transactions (Lessor)

(in € thousands)	31.12.2019	31.12.2018
Amount of gross investments	3,075,046	2,722,423
Amount of gross investments at less than one year	620,232	557,186
Amount of gross investments from one to five years	1,421,698	1,146,863
Amount of gross investments at more than five years	1,033,116	1,018,374
Discounted value of minimum payments receivable	2,512,574	2,195,773
Discounted value of minimum payments receivable at less than one year	466,205	409,306
Discounted value of minimum payments receivable one to five years	1,299,269	1,029,957
Discounted value of minimum payments receivable at more than five years	747,100	756,510
Unearned financial income	167,546	156,178
Unguaranteed residual values accruing to the lessor	385,619	370,470

Finance lease net profit/(loss) (Lessor)

(in € thousands)	31.12.2019
Profit/loss on sales	292
Financial income from net investment	38,875

NOTE 9

COMMITMENTS GIVEN AND RECEIVED

Contractual value of commitments given and received:

(in € thousands)	31.12.2019	31.12.2018
FINANCING COMMITMENTS		
To credit institutions and similar	1,723,489	1,576,276
To customers	24,751,345	23,234,668
Total financial commitments given	26,474,834	24,810,944
Received from credit institutions and similar	10,890,436	1,966,559
Received from customers	-	1,620,000
Total financial commitments received	10,890,436	3,586,559
GUARANTEE COMMITMENTS		
To credit institutions and similar	714,995	379,346
To customers*	1,860,847	1,937,735
Total guarantee commitments given	2,575,842	2,317,081
Received from credit institutions and similar	37,464,088	33,997,941
Received from customers	5,749,231	4,638,902
Total guarantee commitments received	43,213,319	38,636,843
SECURITIES COMMITMENTS		
Securities to be delivered	10,721,418	3,213,365
Total securities commitments	10,721,418	3,213,365
Securities to be received	399,968	461,367
Total commitments received for securities	399,968	461,367
OTHER COMMITMENTS		
Total of other commitments given	18,311,357	11,708,325
Total of other commitments received	3,371,642	2,416,700

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

Crédit Logement commitments

La Banque Postale has committed to maintain Crédit Logement's basic equity capital at a level equivalent to their holding in the company, i.e. 6%, so that the company can maintain its solvency ratio. La Banque Postale has agreed to replenish Crédit Logement's mutual guarantee fund if required, which underwrites borrower defaults on loans secured by the company. The amount of this

commitment, which corresponds to the share of outstandings distributed by La Banque Postale was €216 million on 31 December 2019. The amount was €236 million on 31 December 2018.

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

Other commitments given

Mainly the amount of shares pledged for the benefit of the European Central Bank as part of the financing commitment received from the latter (3G funding). This guarantee commitment given is recorded at the market value of pledged securities before taking into account different haircuts for securities and receivables into account. This commitment given (€2,130 million) offsets a

financing commitment received (€539 million) from Banque de France (3G financing) and the TLTRO loan from the ECB (€1,323 million).

Other commitments also include €15,784 million in home loans pledged to hedge the bond issues launched by the Group's home loans company (La Banque Postale Home Loan SFH).

NOTE 10 FAIR VALUE OF BALANCE SHEET ITEMS

10.1 Fair value of balance sheet items recognised at amortised cost

The table below shows the fair value of balance sheet items recognised at amortised cost.

	31.12.2019				
	Balance sheet amount	Fair value	Fair value hierarchy		
			Valuation determined using prices listed on an active market (level 1)	Valuation process using observable data (level 2)	Valuation process using non-observable data (level 3)
(in € thousands)					
ASSETS					
Securities at amortised cost	28,068,011	29,746,933	27,913,958	1,625,931	207,044
Sight loans and receivables due from credit institutions	372,087	372,087	-	234,210	137,877
Term loans and receivables due from credit institutions	70,262,703	70,271,823	-	70,152,113	119,710
Loans and receivables due from credit institutions	70,634,790	70,643,910	-	70,386,323	257,587
Sight loans and receivables due from customers	6,297,390	6,297,390	-	6,183,747	113,643
Term loans and receivables due from customers	104,461,741	111,160,322	-	98,203,918	12,956,404
Finance lease transactions	2,869,034	3,148,382	-	3,148,382	-
Loans and receivables due from customers	113,628,165	120,606,094	-	107,536,047	13,070,047
LIABILITIES					
Sight liabilities due to credit institutions	1,178,135	1,178,135	-	1,176,255	1,880
Term liabilities due to credit institutions	29,536,777	29,545,092	-	29,517,592	27,500
Liabilities due to credit institutions	30,714,912	30,723,227	-	30,693,847	29,380
Sight liabilities due to customers	188,252,901	188,252,901	-	187,121,060	1,131,841
Term liabilities to customers	2,762,840	2,763,757	-	2,762,224	1,533
Liabilities to customers	191,015,741	191,016,658	-	189,883,284	1,133,374
Debt securities	23,739,111	24,019,121	10,444,101	13,575,020	-
Subordinated debt	3,096,919	3,248,555	3,143,400	105,155	

(in € thousands)	31.12.2018				
	Balance sheet amount	Fair value	Fair value hierarchy		
			Valuation determined using prices listed on an active market (level 1)	Valuation process using observable data (level 2)	Valuation process using non-observable data (level 3)
ASSETS					
Securities at amortised cost	23,581,891	25,024,268	23,193,399	1,639,980	190,889
Sight loans and receivables due from credit institutions	15,766,721	15,766,721	-	15,675,117	91,604
Term loans and receivables due from credit institutions	71,585,202	71,595,733	-	71,476,479	119,254
Loans and receivables due from credit institutions	87,351,923	87,362,454	-	87,151,596	210,858
Sight loans and receivables due from customers	5,192,351	5,204,106	-	5,115,931	88,175
Term loans and receivables due from customers	88,010,443	90,438,506	-	79,379,022	11,059,484
Finance lease transactions	2,533,191	2,761,973	-	2,761,973	-
Loans and receivables due from customers	95,735,985	98,404,585	-	87,256,926	11,147,659
LIABILITIES					
Sight liabilities due to credit institutions	1,278,522	1,278,522	-	1,267,843	10,679
Term liabilities due to credit institutions	17,598,726	17,591,082	-	17,545,554	45,528
Liabilities due to credit institutions	18,877,248	18,869,604	-	18,813,397	56,207
Sight liabilities due to customers	181,781,288	181,781,288	-	180,709,340	1,071,948
Term liabilities to customers	4,029,664	4,037,358	-	4,035,326	2,032
Liabilities to customers	185,810,952	185,818,646	-	184,744,666	1,073,980
Debt securities	16,933,918	16,947,513	6,665,718	10,281,795	-
Subordinated debt	3,879,757	4,011,965	3,146,886	865,079	-

Fair value of loans

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

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

- ▶ the fair value of current account overdrafts is presumed to correspond to the book value due to their short duration (the customer is required to return the account to credit within one month);
- ▶ the fair value of loans is determined on the basis of internal models, which consist in discounting future recoverable capital and interest flows over the residual term that are discounted based on the rate of internal disposals.

Fair value of deposits

The main underlying assumptions for the calculation are as follows:

- ▶ for deposits on which the interest rate is regulated, Livret B accounts, saving accounts for young people, National Savings accounts and term deposit accounts, fair value is assumed to be the carrying amount of the amount outstanding;
- ▶ the fair value of sight deposits is assumed to correspond to the carrying value of the amount outstanding, net of the fair cost value of the swaps used to hedge overnight deposits (*via* the carve-out option).

Held or issued debt instruments

The fair value of listed financial instruments corresponds to the closing price. Given that the fair value of unlisted financial instruments recognised at amortised cost is determined based on internal models, it represents an estimated market value for these instruments. This value can fluctuate depending on the change in parameters used and doesn't necessarily reflect the realisation value of these financial instruments.

10.2 Fair value hierarchy of the financial assets and liabilities recognised on the balance sheet

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

- ▶ level 1: Instruments valued according to the (non-adjusted) prices quoted for identical assets or liabilities on an active market;

This level primarily includes listed shares and derivatives on organised markets (futures, options, etc.);

- ▶ level 2: Instruments valued according to data other than the prices listed under level 1 and that can be observed for the asset and liability in question, either directly (prices) or indirectly (derivative price data);

These instruments are measured employing valuation techniques that use observable parameters and standard

models or instruments that are valued based on similar instruments listed on an active market. This category includes interest rate swaps, caps, floors, etc.;

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

This category mainly includes unlisted equity investments.

The market value of unlisted equity investments classified as financial assets at fair value through OCI is determined by reference to criteria such as net assets, profitability outlook and discounting of future cash flows.

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

Financial assets and liabilities

(in € thousands)

	31.12.2019			
	Fair value hierarchy			
		Valuation determined using prices listed on an active market (level 1)	Valuation process using observable data (level 2)	Valuation process using non-observable data (level 3)
(in € thousands)	Fair value			
FINANCIAL ASSETS				
Financial assets held for trading	9,502,508	1,584,225	7,918,282	-
Financial assets at fair value through profit or loss on option	-	-	-	-
Financial assets at fair value not meeting the SPPI criteria	1,402,129	812,402	257,109	332,618
Financial assets at fair value through profit or loss	10,904,637	2,396,627	8,175,391	332,618
Fair value hedging derivatives	1,487,805	-	1,487,805	-
Cash flow hedging derivatives	-	-	-	-
Hedging derivatives	1,487,805	-	1,487,805	-
Financial assets at fair value through OCI – without recycling	358,210	-	0	358,210
Financial assets at fair value through OCI – with recycling	14,700,359	14,499,013	201,346	-
Financial assets at fair value through equity	15,058,569	14,499,013	201,346	358,210
FINANCIAL LIABILITIES				
Financial liabilities held for trading	782,605	58,458	724,147	-
Financial liabilities at fair value on option	804,686	-	804,686	-
Financial liabilities at fair value through profit or loss	1,587,291	58,458	1,528,833	-
Fair value hedging derivatives	590,675	-	590,675	-
Cash flow hedging derivatives	-	-	-	-
Hedging derivatives	590,675	-	590,675	-

Transfer from level 2 to level 1: €100.9 million (11 fixed-income securities, whose transactions now meet the volume and frequency conditions).

Transfer from level 1 to level 2: €22.1 million (two fixed-income securities whose prices are no longer representative of a price quoted on the active market and no longer meet volume and frequency conditions).

(in € thousands)	2018.12 adjusted			
	Fair value hierarchy			
	Fair value	Valuation determined using prices listed on an active market (level 1)	Valuation process using observable data (level 2)	Valuation process using non-observable data (level 3)
FINANCIAL ASSETS				
Financial assets held for trading	9,355,836	2,758,487	6,597,349	-
Financial assets at fair value through profit or loss on option	-	-	-	-
Financial assets at fair value not meeting the SPPI criteria	1,262,917	712,686	247,651	302,580
Financial assets at fair value through profit or loss	10,618,753	3,471,173	6,845,000	302,580
Fair value hedging derivatives	1,130,766	-	1,130,766	-
Cash flow hedging derivatives	28,534	-	28,534	-
Hedging derivatives	1,159,300	-	1,159,300	-
Financial assets at fair value through OCI – without recycling	288,764	-	0	288,764
Financial assets at fair value through OCI – with recycling	15,708,133	15,318,734	389,399	-
Financial assets at fair value through equity	15,996,897	15,318,734	389,399	288,764
FINANCIAL LIABILITIES				
Financial liabilities held for trading	530,402	-	530,402	-
Financial liabilities at fair value on option	278,812	-	278,812	-
Financial liabilities at fair value through profit or loss	809,214	-	809,214	-
Fair value hedging derivatives	347,654	-	347,654	-
Cash flow hedging derivatives	-	-	-	-
Hedging derivatives	347,654	-	347,654	-

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

(in € thousands)	31.12.2019			
	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through equity	Total
Opening	302,580	-	288,764	591,344
Total gains and losses recorded in profit or loss	21,708	-	-	21,708
Total gains and losses recorded in equity	-	-	16,660	16,660
Purchases	35,366	-	52,941	88,307
Disposals	(825)	-	(63)	(888)
Issues	-	-	-	-
Redemptions	(26,211)	-	-	(26,211)
Transfer to or from level 3	-	-	-	-
Other movements	-	-	(92)	(92)
CLOSING	332,618	-	358,210	690,828

(in € thousands)	31.12.2018 reported			
	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through equity	Total
Opening	249,925	-	250,640	500,566
Total gains and losses recorded in profit or loss	9,839	-	-	9,839
Total gains and losses recorded in equity	-	(0)	11,769	11,769
Purchases	70,072	-	31,415	101,487
Disposals	(15)	-	-	(15)
Issues	-	-	-	-
Redemptions	(27,839)	-	-	(27,839)
Transfer to or from level 3	-	-	-	-
Other movements	598	-	(5,060)	(4,462)
CLOSING	302,580	-	288,764	591,344

NOTE 11 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

A financial asset and liability are offset and a net balance is shown on the balance sheet when the Group has a legally enforceable right to offset the amounts recognised, and has the intention either to settle the net amount or to realise the asset and settle the liability simultaneously.

A financial asset and liability covered by a master netting agreement or similar agreement meeting the definition of an enforceable contract (legally enforceable right to offset securities with the same maturity against cash), which can be exercised under all conditions but does not meet the offsetting criteria, are

presented as net book value where they are realised with the same legal entity.

The tables below show the amounts of financial assets and liabilities that were offset in the Group's consolidated balance sheet as well as the amounts that could be offset in accordance with the master netting agreements or similar agreements, but which are not eligible to be offset in the consolidated financial statements.

The net positions resulting from these various offsets are not intended to measure the Group's exposure to counterparty risk on these financial instruments.

Offsetting of financial assets and liabilities in 2019

(in € thousands)	(a)	(b)	(c) = (a) - (b)	(d)		(e)	(f) = (c) - (d) - (e)
	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Net financial assets	Financial instruments	Cash collateral received	Financial instruments received as collateral	Net carrying amount
Financial instruments at market value through profit or loss	12,392,442	-	12,392,442	1,199,110	1,037,021	-	10,156,311
Of which financial derivatives (includes hedging derivatives)	2,372,558	-	2,372,558	1,199,110	1,037,021	-	136,427
Loans and receivables due from credit institutions and customers	188,378,716	4,115,761	184,262,955	687,719	57,132	8,006,313	175,511,791
Including borrowed securities	12,873,706	4,115,761	8,757,945	687,719	57,132	8,006,313	6,781
Accruals and other assets	3,314,224	-	3,314,224	1,314	-	-	3,312,910
Of which collateral deposits given	5,302	-	5,302	1,314	-	-	3,988
Other assets not offset	71,713,188	-	71,713,188	-	-	-	71,713,188
TOTAL ASSETS	275,798,570	4,115,761	271,682,809	1,888,143	1,094,153	8,006,313	260,694,200

	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) - (d) - (e)
	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Financial assets presented as net	Amounts not offset	Financial instruments given as collateral	Net carrying amount
				Financial instruments	Cash collateral paid	
(in € thousands)						
Financial instruments at market value through profit or loss	2,177,966	-	2,177,966	1,199,110	150,549	-
Of which financial derivatives (includes hedging derivatives)	1,361,715	-	1,361,715	1,199,110	150,549	-
Liabilities due to credit institutions and customers	225,846,414	4,115,761	221,730,653	687,476	1,919,272	25,469,656
Of which loaned securities	32,207,783	4,115,761	28,092,022	687,476	1,919,272	25,469,656
Other debt not offset	35,991,213	-	35,991,213	-	-	-
TOTAL LIABILITIES	264,015,594	4,115,761	259,899,833	1,886,586	2,069,821	25,469,656
						230,473,770

Offsetting of financial assets and liabilities in 2018

	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) - (d) - (e)
	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Net financial assets	Amounts not offset	Financial instruments received as collateral	Net carrying amount
				Financial instruments	Cash collateral received	
(in € thousands)						
Financial instruments at market value through profit or loss	11,397,467	-	11,397,467	638,551	913,879	-
Of which financial derivatives (includes hedging derivatives)	1,617,699	-	1,617,699	638,551	913,879	-
Loans and receivables due from credit institutions and customers	188,314,219	5,226,311	183,087,908	264,406	-	416,228
Of which repo transactions	5,906,969	5,226,311	680,658	264,406	-	416,228
Accruals and other assets	2,981,245	-	2,981,245	2,896	-	-
Of which guarantee deposits given	5,208	-	5,208	2,896	-	-
Other assets not offset	47,734,333	-	47,734,333	-	-	-
TOTAL ASSETS	250,427,264	5,226,311	245,200,953	905,853	913,879	416,228
						242,964,993

	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) - (d) - (e)
	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Financial liabilities presented as net	Amounts not offset	Financial instruments given as collateral	Net carrying amount
				Financial instruments	Cash collateral paid	
(in € thousands)						
Financial instruments at market value through profit or loss	1,156,868	-	1,156,868	638,551	216,269	-
Of which financial derivatives (includes hedging derivatives)	878,056	-	878,056	638,551	216,269	-
Liabilities due to credit institutions and customers	209,914,511	5,226,311	204,688,200	263,619	36,192	18,237,371
Of which loaned securities	23,779,099	5,226,311	18,552,788	263,619	36,192	18,237,371
Other debt not offset	29,688,028	-	29,688,028	-	-	-
TOTAL LIABILITIES	240,759,407	5,226,311	235,533,096	902,170	252,461	18,237,371
						216,141,095

NOTE 12 SEGMENT INFORMATION

La Banque Postale Group is structured around the following divisions:

► **Retail Banking**, which includes the activities of La Banque Postale, the CRSF Métropole, CRSF Dom and Tertiaire Saint Romain Limited Property Investment Partnerships that own the business premises of La Banque Postale, La Banque Postale Financement, Easybourse, La Banque Postale Leasing & Factoring (ex La Banque Postale Crédit aux Entreprises), La Banque Postale Collectivités Locales, La Banque Postale Home Loan SFH, BPE, SOFIAP, Ma French Bank, the SF2 holding company, FCT Elise 2012, as well as the Dutch debt securitisation funds LBP Dutch Mortgage Portfolio 1 B.V and 2 B.V;

► **The Insurance Division** consists of the CNP Assurances Group, La Banque Postale Prévoyance, La Banque Postale Assurance Santé, La Banque Postale Assurances IARD, La Banque Postale Conseil en Assurances and Sopassure;

► **Asset management** consists of La Banque Postale Asset Management Group, Tocqueville Finance Holding, Tocqueville Finance SA and AEW SA.

Except for the foreign subsidiaries of CNP Assurances and AEW SA and the Dutch debt securitisation funds LBP Dutch Mortgage Portfolio 1 B.V and 2 B.V, the Group conducts its business activities in France.

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

12.1 Breakdown of results by business segment

Net banking income by business segment as at 31 December 2019

	Retail Banking		Insurance		Asset management	
	External activity	Inter-segment eliminations	External activity	Inter-segment eliminations	External activity	Inter-segment eliminations
(in € thousands)						
Interest and similar income	4,214,223	24	43,598	-	-	-
Interest and similar expenses	(1,916,986)	-	(2,925)	-	(3)	(24)
Commission income	2,309,951	280,559	45,332	4,243	299,802	1,918
Commission expenses	(192,949)	(5,339)	(81,312)	(175,498)	(42,217)	(105,883)
Net gains or losses on financial instruments at fair value through profit or loss	45,955	-	63,719	-	604	-
Net gains or losses on financial instruments at fair value through OCI	121,776	-	3,232	-	697	-
Net gains or losses resulting from the derecognition of financial assets at amortised cost	321,934	-	-	-	-	-
Net gains or losses resulting from the reclassification of financial assets from amortised cost to fair value through profit or loss	-	-	-	-	-	-
Gains or losses resulting from the reclassification of financial assets from fair value through other comprehensive income to fair value through profit or loss	-	-	-	-	-	-
Impacts of the overlay approach (gross impact)	-	-	(20,581)	-	-	-
Income from other activities	365,019	11	977,958	266	585	(14)
Expenses from other activities	(302,887)	(263)	(607,425)	-	9	-
Internal/external net banking income	4,966,036	274,992	421,596	(170,989)	259,477	(104,003)
Net banking income by segment	5,241,028		250,607		155,474	
NET BANKING INCOME			5,647,109			

Net banking income by business segment as at 31 December 2018 (restated data)

(in € thousands)	Retail Banking		Insurance		Asset management	
	External activity	Inter-segment eliminations	External activity	Inter-segment eliminations	External activity	Inter-segment eliminations
Interest and similar income	4,068,089	28	42,115	-	7	-
Interest and similar expenses	(1,840,295)	-	-	-	-	(28)
Commission income	2,389,494	279,354	42,993	3,981	299,757	1,160
Commission expenses	(184,398)	(4,546)	(62,009)	(173,293)	(40,979)	(106,656)
Net gains or losses on financial instruments at fair value through profit or loss	26,246	-	1,172	-	(827)	-
Net gains or losses on financial instruments at fair value through OCI	341,610	-	(1,044)	-	150	-
Net gains or losses resulting from the derecognition of financial assets at amortised cost	-	-	-	-	-	-
Net gains or losses resulting from the reclassification of financial assets from amortised cost to fair value through profit or loss	-	-	-	-	-	-
Gains or losses resulting from the reclassification of financial assets from fair value through other comprehensive income to fair value through profit or loss	-	-	-	-	-	-
Impacts of the overlay approach (gross impact)	-	-	15,023	-	-	-
Income from other activities	259,313	226	969,629	-	532	(11)
Expenses from other activities	(178,872)	(215)	(577,583)	-	(188)	-
Internal/external net banking income	4,881,187	274,847	430,297	(169,312)	258,452	(105,535)
Net banking income by segment	5,156,034		260,985		152,917	
NET BANKING INCOME			5,569,936			

Net income by business segment as at 31 December 2019 (excluding the cost of equity for each segment)

(in € thousands)	Retail Banking	Insurance	Asset management	Total
Net banking income	5,241,028	250,607	155,474	5,647,109
General operating expenses	(4,227,008)	(125,261)	(88,297)	(4,440,566)
Net depreciation and amortisation and impairment of tangible and intangible fixed assets	(239,448)	(7,454)	(4,538)	(251,440)
Gross operating income	774,572	117,892	62,639	955,103
Cost of credit risk	(178,454)	(2)	0	(178,456)
Operating income	596,118	117,890	62,639	776,647
Share of profits of equity associates	0	276,016	6,155	282,171
Net gains and losses on other assets	(149)	(10)	0	(159)
Changes in the value of goodwill	0	0	0	0
Pre-tax income	595,969	393,896	68,794	1,058,659
Income tax	(212,097)	(39,678)	(21,133)	(272,908)
Net income	383,872	354,219	47,661	785,751
Non-controlling interests	1,061	(8,216)	12,455	5,301
NET INCOME, GROUP SHARE	382,811	362,434	35,206	780,451

Net income by business segment as at 31 December 2018 (excluding the cost of equity for each segment)

(in € thousands)	Retail Banking	Insurance	Asset management	Total
Net banking income	5,156,034	260,985	152,917	5,569,936
General operating expenses	(4,206,059)	(123,588)	(88,847)	(4,418,494)
Net depreciation and amortisation and impairment of tangible and intangible fixed assets	(188,471)	(4,379)	(3,666)	(196,516)
Gross operating income	761,504	133,018	60,404	954,926
Cost of credit risk	(132,637)	(546)	0	(133,183)
Cost relating to the ACPR sanction	(50,000)	0	0	(50,000)
Operating income	578,867	132,472	60,404	771,743
Share of profits of equity associates	0	262,859	5,368	268,227
Net gains and losses on other assets	(637)	0	0	(637)
Changes in the value of goodwill	0	0	0	0
Pre-tax income	578,230	395,331	65,772	1,039,333
Income tax	(210,636)	(41,821)	(21,233)	(273,690)
Net income	367,594	353,510	44,539	765,643
Non-controlling interests	27,758	576	11,401	39,735
NET INCOME, GROUP SHARE	339,836	352,934	33,138	725,908

12.2 Balance sheet items by business segment

Balance sheet items by business segment as at 31 December 2019

(in € thousands)	Retail Banking	Insurance	Asset management	Inter-segment eliminations	Total
SEGMENT ASSETS					
Cash, central banks	22,412,492	-	-	-	22,412,492
Financial assets at fair value through profit or loss	10,313,227	434,829	156,581	-	10,904,637
Hedging derivatives	1,487,805	-	-	-	1,487,805
Financial assets at fair value through equity	14,567,025	2,234,017	18,387	(1,760,860)	15,058,569
Securities at amortised cost	28,068,011	-	-	-	28,068,011
Loans and receivables due from credit institutions and similar at amortised cost	70,636,118	56,995	10,081	(68,404)	70,634,790
Loans and receivables due from customers at amortised cost	113,636,120	-	-	(7,955)	113,628,165
Revaluation differences on rate hedged portfolios	206,913	-	-	-	206,913
Accruals and other assets	2,541,629	815,981	51,046	(94,432)	3,314,224
Equity associates	-	3,537,757	54,455	-	3,592,212
Goodwill	-	94,300	65,927	-	160,227
SEGMENT LIABILITIES					
Financial liabilities at fair value through profit or loss	1,587,291	-	-	-	1,587,291
Hedging derivatives	590,675	-	-	-	590,675
Liabilities due to credit institutions and similar	30,695,183	7,954	-	11,775	30,714,912
Liabilities to customers	191,091,739	-	12,136	(88,134)	191,015,741
Debt securities	23,739,159	-	-	(48)	23,739,111
Revaluation differences on rate hedged portfolios	838,638	-	-	-	838,638
Accruals and other liabilities	4,868,312	375,281	123,204	(94,384)	5,272,413
Underwriting provisions of insurance companies	-	2,552,048	-	-	2,552,048
Subordinated debt	3,096,919	-	-	-	3,096,919

Balance sheet items by business segment as at 31 December 2018 (restated data)

(in € thousands)	Retail Banking	Insurance	Asset management	Inter-segment eliminations	Total
SEGMENT ASSETS					
Cash, central banks	2,006,794	-	-	-	2,006,794
Financial assets at fair value through profit or loss	10,140,864	380,586	97,303	-	10,618,753
Hedging derivatives	1,159,300	-	-	-	1,159,300
Financial assets at fair value through equity	15,608,937	2,132,448	16,372	(1,760,860)	15,996,897
Securities at amortised cost	23,581,891	-	-	-	23,581,891
Loans and receivables due from credit institutions and similar at amortised cost	87,350,422	51,271	20,637	(70,407)	87,351,923
Loans and receivables due from customers at amortised cost	95,745,174	-	-	(9,189)	95,735,985
Revaluation differences on rate hedged portfolios	81,915	-	-	-	81,915
Accruals and other assets	2,527,496	1,061,167	51,304	(64,090)	3,575,877
Equity associates	-	3,213,842	52,978	-	3,266,820
Goodwill	-	94,300	65,927	-	160,227
SEGMENT LIABILITIES					
Financial liabilities at fair value through profit or loss	809,214	-	-	-	809,214
Hedging derivatives	347,654	-	-	-	347,654
Liabilities due to credit institutions and similar	18,861,317	9,488	-	6,443	18,877,248
Liabilities to customers	185,884,855	-	12,136	(86,039)	185,810,952
Debt securities	16,933,918	-	-	-	16,933,918
Revaluation differences on rate hedged portfolios	742,855	-	-	-	742,855
Accruals and other liabilities	4,791,072	247,218	85,590	(64,090)	5,059,790
Underwriting provisions of insurance companies	-	2,479,619	-	-	2,479,619
Subordinated debt	3,879,757	-	-	-	3,879,757

NOTE 13 RELATED PARTY DISCLOSURES

The parties related to the La Banque Postale Group include the main managers and the companies consolidated by the La Poste Group, wholly or jointly controlled subsidiaries and companies on which the Group has a significant influence. La Banque Postale is an entity controlled by La Poste.

13.1 Relationships between consolidated entities

As transactions between La Banque Postale Group's fully consolidated entities are eliminated on consolidation, the data provided below refer only to reciprocal transactions with companies over which the Group exercises joint control in respect

of the portion of those activities not eliminated on consolidation and to those companies over which it exercises a material influence.

(in € thousands)	31.12.2019			31.12.2018 adjusted		
	With La Banque Postale Group entities			With La Banque Postale Group entities		
	With La Poste Group entities*	Proportional consolidation	Equity method	With La Poste Group entities*	Proportional consolidation	Equity method
Interest	39	-	-	(212)	-	-
Commissions	6,512	-	629,503	10,161	-	605,889
Net gains and losses on financial instruments at fair value through profit or loss	(35,901)	-	-	(22,236)	-	-
Income from other activities	36,663	-	67,834	36,000	-	-
Expenses from other activities	(20,199)	-	(40,074)	(22,727)	-	-
NBI items with related parties	(12,886)	-	657,263	986	-	605,889
General operating expense items with related parties	(2,873,259)	-	(11,563)	(2,992,835)	12	1,248
Financial assets at fair value through profit or loss	35,659	-	-	70,774	-	-
Other assets	407,043	-	131,919	468,196	7	126,547
Assets with related parties	442,702	-	131,919	538,970	7	126,547
Payables	470,233	12,653	-	809,138	14,195	-
Other financial liabilities	106,212	-	-	123,270	-	-
Other liabilities	47,902	-	223,339	40,162	(0)	287,818
Liabilities with related parties	624,347	12,653	223,339	972,570	14,195	287,818
Commitments given	1,050,000	-	124,728	988,585	-	115,892
Commitments received	2,000,000	-	967,980	1,000,000	-	1,041,877

* These are almost exclusively transactions with La Poste.

13.2 Executive compensation

The Group treats the members of the Executive Board and the General Management Committee as related parties according to the meaning of IAS 24.

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

Rémy Weber received compensation from La Poste due to the fact that he has an employment contract made necessary by the postal model of La Banque Postale that appointed him head of the La Poste Financial Services Department (Financial Centres).

Remuneration of the members of the Executive Board consists of a fixed annual remuneration, plus a yearly capped variable component, except for the Chairman of the Executive Board, whose total compensation is fixed.

The total gross compensation paid to members of the Executive Board was €1,857 million as at 31 December 2019 and €1,840 million at 31 December 2018.

The remuneration of the members of the General Management Committee, with the exception of the members of the Executive Board and the members paid by La Poste, is detailed below:

(in € thousands)	31.12.2019	31.12.2018
Remuneration and benefits in kind	6,875	7,305
Post-employment benefits	1,039	1,003
TOTAL	7,914	8,309

These items may be supplemented by severance compensation in the event that their appointments at La Banque Postale are terminated.

NOTE 14

STATUTORY AUDITORS' FEES FOR THE 2019 FINANCIAL YEAR

(in € thousands)

	Statutory auditors of La Banque Postal			
	PriceWaterhouseCoopers Audit		KPMG	
	Amount	%	Amount	%
Statutory audit, review of the company and consolidated financial statements	1,203	97%	1,213	83%
Parent company	502	40%	502	34%
Subsidiaries	701	56%	711	49%
Services other than certification of the financial statements	42	3%	244	17%
Parent company	33	3%	119	8%
Subsidiaries	9	1%	125	9%
TOTAL	1,245	100%	1,457	100%

NOTE 15 SCOPE OF CONSOLIDATION

Companies		Registered office: City/Country	Method ⁽¹⁾	Movements	% Control	% Interest	Method	% Control	% Interest
			31.12.2019	31.12.2019	31.12.2019	31.12.2019	31.12.2018	31.12.2018	31.12.2018
RETAIL Banking									
La Banque Postale	Paris – France	PARENT	-	100.00	100.00	PARENT	100.00	100.00	
SCI CRSF DOM ⁽²⁾	Paris – France	FULL	-	99.94	99.94	FULL	99.94	99.94	
SCI CRSF Métropole ⁽²⁾	Paris – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
SCI Tertiaire Saint Romain ⁽²⁾	Paris – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
SF 2	Paris – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
La Banque Postale Financement	Saint-Denis – France	FULL	-	100.00	100.00	FULL	65.00	65.00	
La Banque Postale Leasing & Factoring	Paris – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
Easy Bourse	Paris – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
FCT Elise 2012	Paris – France	FULL	-	95.00	95.00	FULL	95.00	95.00	
BPE	Paris – France	FULL	-	100.00	100.00	FULL	99.99	99.99	
La Banque Postale Collectivités Locales	Paris – France	FULL	-	65.00	65.00	FULL	65.00	65.00	
La Banque Postale Home Loan SFH	Paris – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
SOFIAP	Paris – France	FULL	-	66.00	66.00	FULL	66.00	66.00	
LBP Dutch Mortgage Portfolio 1 B.V	Amsterdam – Netherlands	FULL	-	100.00	100.00	FULL	100.00	100.00	
LBP Dutch Mortgage Portfolio 2 B.V	Amsterdam – Netherlands	FULL	-	100.00	100.00	FULL	100.00	100.00	
Ma French Bank	Paris – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
INSURANCE									
CNP Assurances Group	Paris – France	EQUITY	-	36.25	20.15	EQUITY	36.25	20.15	
La Banque Postale Prévoyance	Issy-les-Moulineaux – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
LBP Conseil en Assurances	Issy-les-Moulineaux – France	FULL	-	100.00	100.00	FULL	100.00	100.00	
Sopassure	Paris – France	JOINT	-	50.02	50.02	JOINT	50.02	50.02	
La Banque Postale Assurances IARD	Issy-les-Moulineaux – France	FULL	-	65.00	65.00	FULL	65.00	65.00	
La Banque Postale Assurance Santé	Issy-les-Moulineaux – France	FULL	-	51.00	51.00	FULL	51.00	51.00	
ASSET MANAGEMENT									
AEW SA	Paris – France	EQUITY	-	40.00	40.00	EQUITY	40.00	40.00	
La Banque Postale Asset Management	Paris – France	FULL	-	70.00	70.00	FULL	70.00	70.00	
Tocqueville Finance Holding	Paris – France	FULL	-	99.89	69.92	FULL	97.70	69.82	
Tocqueville Finance SA	Paris – France	FULL	-	99.89	69.86	FULL	99.89	69.75	

- (1) Consolidation method
 FULL: Fully consolidated
 EQUITY: Accounted for using the equity method
 JOINT: Joint control recorded for the share of assets, liabilities and income received
 NC: Not consolidated

- (2) Property investment company holding the bank's operating buildings.

Companies excluded from the consolidation scope

The entities listed below are excluded from the consolidation scope as they are considered not significant with respect to three

non-cumulative criteria, corresponding to a percentage expressed on the balance sheet, of net banking income or of net income, as well as in view of their multi-year financial histories.

Companies	Registered office: City/Country	Share of capital (percentage)
Auxiliaire de Transaction Immobilière	Paris – France	100.0%
Domiserve	Montrouge – France	100.0%
Ezyness	Paris – France	100.0%
KissKissBankBank	Paris – France	100.0%
LBP AM Private Debt GP Lux	Luxembourg – Luxembourg	100.0%
LBP Immobilier Conseil	Paris – France	100.0%
LBP International	Paris – France	100.0%
LBP Protection	Paris – France	100.0%
Sèvres LBP 1	Paris – France	100.0%
Sèvres LBP 2	Paris – France	100.0%
Suffren Ré	Paris – France	100.0%
Transactis	Courbevoie – France	50.0%

NOTE 16 IFRS 12: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

5

La Banque Postale Group consists of 26 consolidated entities including one partnership, Sopassure, two significant associated companies, the CNP Assurances Group and AEW SA consolidated

by the equity method, and three structured entities. 16 subsidiaries are controlled by the Group through stakes of close to 100% with no significant non-controlling interests.

16.1 Consolidated subsidiaries

Statutory, contractual or regulatory restrictions may limit the Group's ability to access or transfer certain assets freely to or from other Group entities or to use them or to settle the Group's liabilities.

La Banque Postale Group also identified the following points:

- ▶ the Group has delivered or has committed to delivering securities as part of securities financing transactions and pledges securities in favour of the central bank and Crédit Logement (see Note 5.13 Note 9);
- ▶ the Group pledges home loans in order to hedge bond issues made by the Group's housing financing company (La Banque Postale Home Loan SFH) in favour of holders (see Note 9);
- ▶ the Group has granted capital and performance guarantees to holders of UCITS units issued by the Group (see Note 5.13 and Note 9);
- ▶ the financial assets of the insurance subsidiaries locked for the benefit of policy-holders (listed under shadow accounting in liabilities on the balance sheet) and in connection with the acceptance of risk reinsurance (see Notes 7 and 5.17);
- ▶ guarantee deposits;
- ▶ pledges of securities relating to reinsurance contracts.

Consolidated structured entities

Pursuant to IFRS 10 and 11, and with regard to consolidation thresholds, La Banque Postale Group includes three consolidated structured entities, FCT Elise 2012, LBP Dutch Mortgage Portfolio 1 B.V and 2 B.V.

The "FCT Elise 2012" entity entered the scope of consolidation in October 2012. It is a French fund and its debt is 95% owned by La Banque Postale and 5% by Crédit Foncier de France.

The fund's assets include zero-interest loans granted to individual customers of La Banque Postale prior to 2010 (the launch date of the commercialisation of zero-interest loans in the Bank's balance sheet). As at 31 December 2019, it represented a total of €305 million. This fund is fully consolidated.

Two Dutch securitisation funds, **LBP Dutch Mortgage Portfolio 1 B.V and 2 B.V.**, entered the consolidation scope in October and November 2017, respectively. La Banque Postale holds 100% of the debt of these funds. The assets of these funds are comprised of the home loans granted to individuals by Aegon Hypotheken B.V and Rabobank.

As at 31 December 2019, the loans in the portfolio accounted for total net outstandings of €2,058 million and €1,844 million, respectively. These funds are fully consolidated.

Partnerships

Sopassure is a French entity that is 50% owned by La Banque Postale Group. Meeting the definition of a “joint enterprise”, it is presented in the Group’s consolidated financial statements on the basis of the proportionate share of assets, liabilities and income held.

The shareholders’ agreement established between La Banque Postale and its partner sets out the conditions for the partnership, and, through the operating method of the holding company’s governance bodies, outlines the direct rights of each partner with respect to the stake in CNP Assurances, Sopassure’s main asset.

Sopassure has legal reserves that bind the Group to the payment of dividends.

Reconciliation of financial information with the value obtained using the equity method:

(€ millions)	31.12.2019	31.12.2018
Equity, Group share	19,393	17,781
Restatement	(1,891)	(1,886)
Equity based on the percent stake	3,526	3,202
Net goodwill	12	12
Value of associates accounted for using the equity method on the balance sheet	3,538	3,214
Market value	12,174	12,716

Investments in equity associates

The French State, the Caisse des dépôts, BPCE, La Poste Group and Sopassure have a shareholders’ agreement on CNP Assurances.

La Banque Postale Group has significant influence on the CNP Assurances Group with a stake of 20.15% (including an option to purchase a further 2.01%) as at 31 December 2019.

Detailed information about CNP Assurances is published in its Universal Registration Document, available at: <http://www.cnp.fr/Le-Groupe/Nos-publications/Les-documents-de-reference>.

All income statement and balance sheet information for CNP can be found in Note 5.10. Regarding comprehensive income, information is available in the relevant note at the beginning of this document.

Information on financial investments (100% of the assets of the entity) in application of IFRS 9

(in € millions)		Fair value
Assets with contractual flows consisting solely of the payment of principal and interest	Fixed-rate bonds	179,301
	Variable-rate bonds	19,634
	Negotiable debt securities	3,678
	Other	24,684
Total assets meeting the SPPI criteria	Total (1)	227,297
Other financial assets	Equities	23,823
	Units of property investment partnerships (SCIs)	11,845
	Investment funds	92,127
	Fixed-rate bonds	13,635
	Variable-rate bonds	23,509
	Negotiable debt securities	668
	Other	3,394
	Derivative assets	526
	Derivative liabilities	(1,132)
	Total (2)	168,395
Loans and advances	Loans and advances	4,699
Real estate investments	Investment properties at amortised cost	1,769
	Investment properties at fair value	1,581
Total assets governed by standards other than IFRS 9/IAS 39	Total (3)	8,048
TOTAL FINANCIAL INVESTMENTS	TOTAL (1+2+3)	403,740

Breakdown of SPPI assets, considered to be “low credit risk”

(€ millions)	Asset rating	Gross carrying amount	Fair value	Fair value as a % of total financial investments
Assets with low credit risk	AAA	15,679	17,026	7.49%
	AA	109,573	121,974	53.66%
	A	37,801	39,603	17.42%
	BBB	33,687	35,659	15.69%
TOTAL		196,740	214,263	

Breakdown of SPPI assets that would not be considered “low credit risk”

(€ millions)	Asset rating	Gross carrying amount	Fair value	Fair value as a % of total financial investments
Assets which do not have a low credit risk	<BBB	11,266	11,935	5.25%
	NR	1,050	1,100	0.48%
TOTAL		12,315	13,034	

16.2 Unconsolidated structured entities

At 31 December 2019, La Banque Postale Group identified two families, securitisation and asset management.

Structured entities with financial interests

At 31 December 2019, the only significant transactions with structured entities with financial interests within the Group are represented by financial liabilities at fair value through profit or loss in the amount of €110 million on Asset management and €72 million in units held in a securitisation fund. Income drawn by the Group on these entities stands at €78 million and consists mainly of management fees. No material loss was recorded at 31 December 2019.

The maximum exposure to risk of loss is, in most cases, limited to units held in funds, with the exception of funds in which La Banque Postale guarantees capital and performance.

Regarding the funds managed by La Banque Postale Asset Management, and given the derivatives structuring, the guarantee may only be exercised in the event of default of the providers of total return swaps. The counterparties are market counterparties and the risk of default may be considered low.

Information on structured entities with no financial link

Funds defined as sponsors are those structured by a management company controlled by the Group, principally La Banque Postale Asset Management.

Income drawn by the Group on these entities stands at €55 million and consists mainly of management fees.

NOTE 17 IDENTIFICATION DETAILS OF NON-CONSOLIDATED EQUITY INVESTMENTS

(in € thousands)	Registered office	Share of capital in %	Currency	Amount of equity in the previous year	Amount of income in the previous year	Date of the last certified financial statements
Mandarine Gestion	Paris – France	11.95%	EUR	48,632	7,656	31.12.2018
Crédit Logement	Paris – France	6.00%	EUR	1,709,174	102,486	31.12.2018
STET	Courbevoie – France	5.01%	EUR	103,511	8,039	31.12.2018
SFIL	Issy les Moulineaux – France	5.00%	EUR	1,563,000	63,000	31.12.2018
BPIfrance Financement	Maison-Alfort – France	0.14%	EUR	3,755,900	167,300	31.12.2018

5.3 REPORT OF THE STATUTORY AUDITORS ON THE CONSOLIDATED FINANCIAL STATEMENTS

Financial year ended on 31 December 2019

To the General Meeting of Shareholders

La Banque Postale
115, rue de Sèvres
CP S202
75275 PARIS Cedex 06

Opinion

In execution of the mission entrusted to us by your general meeting, we have audited the consolidated financial statements of the company La Banque Postale for the year ended 31 December 2019, as attached to this report.

We hereby certify that, with respect to the IFRS standards as adopted by the European Union, the consolidated financial statements for the financial year are true and fair and provide a faithful picture of the assets and liabilities, financial position and results of the whole consisting of the persons and entities included in the consolidation at the end of the year.

This opinion is consistent with our report to the Accounts Committee.

Basis of opinion

References of the audit

We have conducted our audit in accordance with the generally accepted auditing standards in France. We consider that the evidence gathered is pertinent and sufficient to serve as a basis for our opinion.

Our responsibilities under these standards are set out in the "Responsibilities of the Statutory Auditors for the Auditing of the Consolidated Financial Statements" section of this report.

Independence

We carried out our audit in accordance with the rules of independence applicable to us over the period between 1 January 2019 and the date of our report. In particular, we have not provided any services prohibited by Article 5 (1) of EU Regulation No. 537/2014 or the Code of Ethics for Statutory Auditors.

Observation

Without calling into question the opinion stated above, we nevertheless draw your attention to Note 2.1 "Regulatory framework" and Note 7 "Insurance activities" of the notes to the consolidated financial statements, which describe changes in how the Group's insurance business is presented in its financial statements, based on the option recommended by ANC 2017.02.

Justification of the assessment - Key points of the audit

Pursuant to the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatements which, in our professional judgement, were the most significant for the audit of the consolidated financial statements for the year, as well as the responses we provided to these risks.

The assessments were made over the course of our audit of the consolidated financial statements, taken as a whole, and therefore contributed to the forming of the opinion expressed in the first part of this report. We do not express an opinion on items in these consolidated financial statements on an isolated basis.

Provisions for the credit risks of legal entities

Risk identified

La Banque Postale sets aside provisions to cover the risk of losses resulting from the inability of its legal entity customers to meet their financial commitments. In accordance with IFRS 9, La Banque Postale recognises impairment for Expected Credit Losses (ECL) on healthy loans (bucket 1), deteriorated loans (bucket 2) and for confirmed risks on defaulted loans (bucket 3).

The provisions for expected losses (on loans in buckets 1 and 2) are determined on an individual basis, based on internal and external scores associated with a probability of default (PD) and loss given default (LGD), together with forward looking data, or on the opinion of experts for bucket 2 files with “watch” status.

Defaulted loans (bucket 3) are impaired on an individual basis. The impairment is assessed by an expert.

When calculating provisions, a judgement-based assessment is used to classify exposure (bucket 1, 2, or 3) and to determine future recoverable cash flows and recovery time scales.

Given the importance of this judgement in the process for allocating loans to a particular bucket and for determining provisions, our audit paid particular attention to the estimates for expected credit losses on loans to legal entities.

At 31 December 2019, outstanding loans to legal entities amounted to €33.6 billion, and the associated impairment totalled €168 million as indicated in Note 5.7 of the notes to the consolidated financial statements. The principles used when determining the provisions for credit risk are described in Note 2.5 “Presentation and valuation rules” in the notes to the consolidated financial statements (see section 2.5.1.2.5 “Impairment of financial assets”) and Note 4.1 “Credit risks”.

Our answer

We examined and tested the method used to classify loans (bucket 1, 2 or 3) and calculate the ECL, in order to assess its compliance with IFRS 9.

In particular, for impairments in buckets 1 and 2:

- ▶ we examined the method used to determine the various parameters for calculating expected losses,
- ▶ we examined the way in which the criteria for significant increase in credit risk (SICR) were established and applied,
- ▶ we also looked at the scoring method and confirmed it had been correctly applied,
- ▶ we then made our own independent calculations of the expected losses, using a sample,
- ▶ we independently assessed the level of provisions determined by the bank, using a sample of files from bucket 2 with “watch” status;
- ▶ we finally tested the general IT controls and input controls for the various ECL calculation tools, and ensured the calculated figures had been correctly transferred into the accounts.

For impairment on defaulted loans (bucket 3), we read the main conclusions of the specialist committees in charge of monitoring these loans and verified, using a sample of files, that they had been correctly incorporated into the process for estimating the provisions. In addition, we independently assessed the level of provisions using a sample of files.

Finally, we examined the information supplied in the notes to the Consolidated Financial Statements concerning credit risk coverage.

Technical provisions of insurance companies

Risk identified

On the liabilities side of their balance sheet, the entities controlled by La Banque Postale that carry out insurance activities recognise technical and mathematical provisions representative of their commitments to policyholders.

The technical and mathematical provisions are estimated using models that take into account rate (market, yield, discount), expense and cost assumptions, which produce statistical and actuarial calculations.

We consider the estimation of these technical and mathematical provisions to be a key focus of the audit due to:

- ▶ their amount;
- ▶ the substantial use of estimates in their calculation.

The procedures for determining the technical and mathematical provisions are detailed in Note 2 “Main rules for the valuation and presentation of the consolidated financial statements” in Section 2.4.3 “Consolidation rules” of the notes to the consolidated financial statements. The amounts recognised are detailed in Note 5.17 “Technical provisions for insurance companies”.

Technical provisions for insurance companies totalled €2,427 million at 31 December 2019.

Our answer

To assess the estimated technical provisions of the insurance business, the following steps were taken with the help of our actuarial specialists:

- ▶ Assessment of the relevance of models and their evolution;
- ▶ Assessment of the appropriateness of the assumptions made regarding interest, yield, discounting, claims and future costs rates;

- ▶ Reconciliation between the bases of calculation and the management data;
- ▶ Independent recalculation of provisions;
- ▶ Verification of the correct transcription of the results of the calculations in the accounts.

Specific verifications

In accordance with the professional standards applicable in France, we also carried out the specific verifications required by the legal and regulatory texts of the information relating to the group given in the management report of the Executive Board.

We have no comments to make on the fair presentation of the information or on its consistency with the consolidated financial statements.

Information resulting from other legal or regulatory requirements

Appointment of statutory auditors

We were appointed statutory auditors of the company La Banque Postale by your Shareholders' Meetings of 28 April 2004 for PricewaterhouseCoopers Audit and 27 May 2010 for KPMG S.A.

At 31 December 2019, PricewaterhouseCoopers Audit was performing this mission for the 16th year running, and KPMG S.A. for the 10th year.

Responsibilities of management and corporate governance officers in the consolidated financial statements.

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the IFRS standard as adopted in the European Union and for implementing such internal control as it determines to be necessary to enable the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for evaluating the ability of the company to continue as a going concern, to present in these accounts, as appropriate, the necessary information relating to the continuity of operations and apply the going concern accounting policy unless it is intended to liquidate the company or cease trading.

The Accounts Committee is responsible for following the process of preparing financial information and for monitoring the effectiveness of the internal control and risk management systems and, where applicable, internal audit, as regards procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements were approved by the Executive Board.

Responsibilities of the statutory auditors in relation to the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain any material misstatements. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect any significant anomaly. Anomalies may arise from fraud or error and are considered significant where it can reasonably be expected that they, taken individually or cumulatively, may influence the economic decisions that account users make in their business based on such anomalies.

As specified by Article L.823-10-1 of the French Commercial Code, our mission of certification of accounts is not to guarantee the viability or the quality of the management of your company.

As part of an audit conducted in accordance with the professional standards applicable in France, the statutory auditor exercises professional judgement throughout this audit. In addition:

- ▶ they identify and assess the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, define and implement audit procedures to address these risks, and collect items considered sufficient and appropriate to base an opinion. The risk of not detecting a significant anomaly from fraud is higher than that of a significant anomaly resulting from an error, as the fraud may involve collusion, falsification, voluntary omissions, misrepresentation or circumventing internal control;
- ▶ the statutory auditor becomes aware of the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, and not to express an opinion on the effectiveness of the internal control; they assess the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by management, as well as the information concerning them provided in the consolidated financial statements;
- ▶ they assess the appropriateness of management's application of the going concern accounting policy and, depending on the evidence gathered, the existence or otherwise of significant uncertainty related to events or circumstances likely to jeopardise the company's ability to continue as a going concern. This assessment is based on the information gathered up to the date of the report, but it is recalled that subsequent circumstances or events could jeopardise the continuity of operations. If the statutory auditor concludes that there is significant uncertainty, they draw the attention of the readers of the report to the information provided in the consolidated financial statements about this uncertainty or, if this information is not provided or is not relevant, they formulate a qualified certification or a refusal to certify;
- ▶ they assess the overall presentation of the consolidated financial statements and assess whether the consolidated financial statements reflect the underlying transactions and events in such a way as to give a true and fair view of them;
- ▶ concerning the financial information of the persons or entities included in the scope of consolidation, they collect information that they deem sufficient and appropriate to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the management, supervision and execution of the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

Report to the Accounts Committee

We submit a report to the Accounts Committee, which notably outlines the scope of the audit work and the work programme implemented, as well as the conclusions arising from our work. We also disclose, where appropriate, the significant weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items disclosed in the report to the Accounts Committee are the risks of material misstatement that we consider to have been the most significant for the audit of the consolidated financial statements for the year and which therefore constitute the key points of the audit, which is our responsibility to describe in this report.

We also provide the Accounts Committee with the declaration provided for in Article 6 of EU Regulation No 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the Code of Ethics for Statutory Auditors. If necessary, we will discuss with the Accounts Committee risks related to our independence and the safeguards applied.

We have no comments to make on the fair presentation of the information or on its consistency with the consolidated financial statements.

Done in Neuilly-sur-Seine and Paris la Défense, 6 March 2020

The statutory auditors

PricewaterhouseCoopers Audit

Jacques Lévi
Partner

KPMG S.A.

Marie-Christine Jolys
Partner

5.4 SEPARATE ACCOUNTS

5.4.1 Parent company balance sheet

(in € thousands)	Notes	31.12.2019	31.12.2018
ASSETS			
Cash, central banks	2.1	22,412,359	2,006,548
Government paper and similar securities	2.6	29,219,811	25,797,097
Loans and receivables due from credit institutions and similar	2.2	91,317,310	106,657,390
Customer transactions	2.4	89,054,394	73,548,837
Bonds and other fixed-income securities	2.6	24,008,264	21,716,190
Equities and other variable-income securities	2.6	644,942	675,053
Equity interests and other long-term securities	2.10	239,202	194,810
Holdings in related companies	2.9	2,665,578	2,289,577
Intangible fixed assets	2.11	671,432	583,745
Property, plant and equipment	2.11	519,303	532,483
Other assets	2.12	1,680,235	1,517,962
Accruals	2.12	1,350,739	1,344,310
TOTAL		263,783,568	236,864,002
LIABILITIES			
Liabilities due to credit institutions and similar	2.3	44,004,919	27,764,226
Customer transactions	2.5	189,288,896	184,389,998
Debt securities	2.8	15,260,783	10,374,774
Other liabilities	2.13	1,986,739	1,756,899
Accruals	2.13	2,241,411	2,303,868
Provisions	2.14	588,328	570,072
Subordinated debt	2.16	3,770,347	3,824,422
Fund for general banking risks (FGBR)		22,000	22,000
Parent company shareholders' equity (excluding FGBR)	2.18	6,620,144	5,857,743
▶ Subscribed capital		4,631,654	4,046,408
▶ Issue and contribution premiums		231,473	16,719
▶ Reserves		543,929	537,684
▶ Revaluation differences			
▶ Regulated provisions and investment grants			
▶ Retained earnings		924,159	1,132,038
▶ Profit (loss) for the period		288,929	124,893
TOTAL		263,783,568	236,864,002

5.4.2 Parent company net income

(in € thousands)	Notes	31.12.2019	31.12.2018
Interest and similar income:			
▶ cash and interbank transactions	3.1	1,305,869	1,271,655
▶ customer transactions	3.2	1,445,302	1,375,490
▶ bonds and other fixed-income securities	3.3	951,016	910,909
▶ other interest and similar income	3.4	209,555	266,929
Interest and similar expenses:			
▶ cash and interbank transactions	3.1	(213,635)	(192,470)
▶ customer transactions	3.2	(1,368,018)	(1,370,471)
▶ bonds and other fixed-income securities	3.3	(412,368)	(341,851)
▶ other interest and similar expense	3.4	(47,653)	(79,753)
Income from variable-income securities	3.5	252,892	244,946
Commissions (income)	3.6	2,471,483	2,571,563
Commissions (expenses)	3.6	(267,390)	(259,917)
Gains or losses on trading portfolio transactions	3.7	(212,687)	77,588
Gains or losses on held-for-sales portfolios and similar	3.8	306,369	28,049
Other bank operating income	3.9	47,875	85,114
Other bank operating expenses	3.9	(59,483)	(63,484)
Net banking income		4,409,129	4,524,298
General operating expenses:			
▶ Personnel costs	3.10	(410,517)	(377,530)
▶ Other general operating expenses	3.12	(3,752,308)	(3,750,981)
▶ Re-invoicing	3.13	138,463	110,256
Depreciation, amortisation and impairment of fixed assets	3.14	(167,607)	(157,062)
Tangible and intangible fixed assets			
Gross operating income		217,159	348,982
Cost of risk	3.15	(100,016)	(151,065)
Cost relating to the ACPR sanction	*	-	(50,000)
Operating income		117,143	147,917
Gains or losses on non-current assets	3.16	312,763	(17,916)
Pre-tax income excluding exceptionals		429,906	130,001
Exceptional income		-	-
Income tax	3.17	(140,977)	(5,108)
Net allocations to the FGBR and regulated provisions		-	-
Net income		288,929	124,893
Parent company net income per share (in euros)		7.17	3.55
Parent company net earnings per share (in euros)		7.17	3.96

* The ACPR Sanctions Committee issued a reprimand against La Banque Postale along with a fine of €50 million following the report on the anti-money laundering and combating the financing of terrorism (AML-CFT) system.

5.4.3 Parent company off-balance sheet items

(in € thousands)	31.12.2019	31.12.2018
Financing commitments, financial guarantee contracts and commitments on securities given		
▶ Financing commitments		
▶ To credit institutions	1,708,017	1,314,814
▶ To customers	23,316,395	22,292,175
▶ Financial guarantee contracts		
▶ To credit institutions ⁽¹⁾	714,995	379,346
▶ To customers	5,792,804	6,245,869
▶ Securities commitments		
▶ Securities to be delivered ⁽²⁾	10,704,453	3,197,474
Financing commitments, financial guarantee contracts and commitments on securities received		
▶ Financing commitments		
▶ From credit institutions	10,890,424	1,966,537
▶ From customers ⁽²⁾		1,620,000
▶ Financial guarantee contracts		
▶ From credit institutions ⁽³⁾	33,294,891	30,906,532
▶ Received from customers	4,534,534	3,320,778
▶ Securities commitments		
▶ Securities to be received	382,730	445,477
Other commitments given and received		
▶ Other commitments given ⁽⁴⁾	18,143,718	11,545,213
▶ Other commitments received	2,000,725	1,000,792

Off-balance sheet commitments relating to cash and forward foreign exchange transactions and to loans and/or borrowings are described in Note 2.19.

Off-balance sheet commitments relating to derivative transactions are described in Note 2.20.

1) Crédit Logement commitment: La Banque Postale has committed to maintaining Crédit Logement's core capital at a level equivalent to its holding in the company, i.e. 6%, so that the latter can meet its solvency ratio requirements.

Moreover, La Banque Postale has agreed to replenish, if necessary, Crédit Logement's mutual guarantee fund, which underwrites borrower defaults on loans secured by the company. This commitment, which is equivalent to the portion of assets distributed the La Poste network, was €215.7 million at 31 December 2019.

2) The financing commitments received from customers and deliverable securities largely correspond to securities delivered as part of financing transactions after the balance sheet date.

3) Guarantee commitments received from credit institutions consist of, for €33,163.3 million, guarantees received from Crédit Logement.

4) Other commitments given: La Banque Postale pledges part of its financial assets as part of the 3G refinancing line with Banque de France (€2,130.0 million), with Crédit Logement (€99.1 million), and part of its outstanding home loans with its home loans company, LBP Home Loan SFH for €15,784.1 million.

NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

Principal valuation and presentation rules for the separate financial statements

The individual financial statements have been drawn up in accordance with the general accounting principles applicable to credit institutions in France.

La Banque Postale, which is wholly owned by La Poste, is consolidated in its financial statements and is part of its tax group.

Furthermore, La Banque Postale, as a parent company, draws up the consolidated financial statements.

Changes in method and comparability

1 Changes in method

There were no changes in accounting methods in the year just ended. The regulations of the French national accounting authority (ANC) that came into effect in 2019 had no impact on the financial statements.

2 Comparability of financial years

For the balance sheet, income statement and off-balance sheet statement, the data shown for the 2019 financial year is directly comparable to that for the previous financial year.

Presentation and valuation rules

The Bank adheres to the rules and principles of ANC regulation no. 2014-07 of 26 November 2014, which incorporates in a single text all the accounting regulations applicable to banking establishments.

1 Foreign currency transactions

In accordance with ANC Regulation 2014-07, the assets, liabilities and off-balance sheet commitments denominated in foreign currencies are converted at the spot exchange rate on the last day of the period.

Foreign exchange gains and losses resulting from day-to-day transactions in foreign currencies are recognised through profit or loss.

Forward currency hedging transactions are recognised in the off-balance sheet statement. The position is originally recorded on the basis of the cash exchange rate, then the swap points (the difference between the forward rate and the cash rate) are recognised in profit and loss on a pro rata basis.

2 Receivables due from credit institutions and customers – Signed commitments

Receivables due from credit institutions and customers are broken down according to their initial maturity, or the nature of the receivable: sight receivables (ordinary accounts and overnight transactions) and term receivables (loans, securities lending transactions) for credit institutions; trade receivables, current accounts, short-term credit facilities, equipment or home loans and other customer loans. These receivables include loans granted and current accounts in debit, as well as securities received *via* repurchase agreements or borrowed securities.

Collateral received is recorded off-balance sheet and regularly remeasured and capped at the carrying amount of the loan.

The credit risk (credit institution and customer receivables, fixed-income securities, signed commitments and financial instruments) is processed in accordance with the provisions of ANC Regulation 2014-07.

The credit risk for a given counterparty is characterised by the existence of a potential loss relating to the possibility of that counterparty defaulting on the commitments that it has entered into.

The monitoring of receivables is based on an expert system, which uses external or internal ratings or a mix of the two, depending on the category of the customer (individuals, corporate customers, etc.).

Loans

Loans are recorded under assets at their repayment value, with a premium/discount recognised in the event of origination/acquisitions for a different amount. The corresponding interest is calculated according to the EIR mechanism.

Doubtful receivables

The process of downgrading receivables to “doubtful” applies to unauthorised overdrafts, home loans and consumer credit, and loans to corporate customers.

Receivables for which the institution sees a probable risk of not receiving all or part of the amounts payable in respect of the commitments entered into by the counterparty are classified as doubtful.

Receivables where the recovery outlook has deteriorated significantly and for which a future loss is expected are specifically identified as non-performing.

The downgrading of unauthorised overdrafts applies to active and closed accounts. The downgrading of unauthorised overdrafts on active accounts means that performing outstandings are downgraded to doubtful. Downgrades are made on a monthly basis, and factor in the amount and duration of the overdraft for each account. When an account is closed, the receivable is downgraded to non-performing. Very small amounts are immediately recorded as losses.

Loans are downgraded to doubtful status when there is an objective indication of an event following the set-up of a loan – or a group of loans – that could generate a loss of value. This could be when there have been missed payments, legal proceedings have been launched, or when the financial situation of the counterparty has deteriorated and there is a risk of non-recovery.

Outstandings are downgraded to doubtful at the latest three months following one or more past due payments, or when the borrower has submitted a request for an over-indebtedness plan from the Banque de France even when there have been no missed payments.

Designation as a non-performing asset mandatorily comes on acceleration of the loan, or when the relationship with the counterparty is terminated (in the case of undated receivables). In addition, loans are automatically downgraded to non-performing one year after being classified as doubtful unless a future loss is not expected.

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

Doubtful home loans can be reclassified as performing loans when all arrears have been paid and regular payment of the amounts corresponding to the contractual instalments have been made for a period of at least two months.

Specific loan impairment

► Scope of home loans

Specific provisioning for home loans in default can be statistic (based on historical data by equivalent category), or individual by counterparty.

Amounts outstanding in default are weighted by a factor of “best estimate of expected loss on exposure at default”, adjusted to recognise certain elements (such as the effect of a slowdown in the economy). This factor is determined according to the length of default and the type of guarantee.

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

Applying the contagion principle, all loans outstanding to the same beneficiary are provisioned as soon as one loan to that beneficiary is provisioned within the Group.

In the event of reassessment of impaired home loans, provisions may be reversed fully or in part and loans reclassified as performing loans when all arrears have been paid and regular payment of the amounts corresponding to the contractual instalments have been made for a period of at least two months.

► Scope loans to corporate customers

Within this scope, specific provisioning of amounts outstanding is tracked monthly and adjusted as necessary based on an expert opinion. An impairment is then recorded on the

difference between the carrying value and the net present value of the expected cash flows, discounted at the original effective interest rate, and determined taking account of the financial position of the borrower and the present value of guarantees received. The amount of the impairment is recognised in “Cost of risk” on the income statement, and the value of the financial asset is reduced through recording an impairment charge.

Applying the contagion principle, all loans outstanding to the same beneficiary are provisioned as soon as one loan to that beneficiary is provisioned within the Group.

► Impairment of loans designated as sensitive

La Banque Postale has adopted a prudent approach to assessing credit risk whenever a potential loss exists linked to the possibility of default of a counterparty. Thus, impairments for sensitive outstandings are recorded in order to cover the risks linked to lending transactions that current or past events have made probable, even if they are not considered on an individual basis.

As such, loans for which a significant deterioration in credit quality has been identified since their date of initial recognition are downgraded to sensitive and impaired up to the amount of expected credit losses over the residual life of the financial asset. Lifetime expected losses correspond to the total losses incurred in the event of default, taking into account the different guarantees, weighted by the probability of default over the expected lifetime of the instrument.

La Banque Postale uses a certain number of indicators in order to detect any deterioration in credit quality of a counterparty, based as a general rule on internal or external ratings, or on events that generate a risk (for example a drop in sales, increase in the use of credit facilities, etc.).

Moreover, La Banque Postale uses a rebuttable presumption that credit risk has increased significantly when contractual payments are more than 30 days past due. As such, the La Banque Postale SA retained payment 30 days past due indicating a financial difficulty (i.e. not including payments overdue for technical reasons) as the “backstop” in measuring the significant increase in the credit risk and degrading to sensitive.

Likewise, designation to a “watch list” could be an indicator (that can be rebutted by the Watch List Committee) of a significant deterioration in credit quality.

An asset having undergone a significant increase in credit risk can be taken out of the sensitive category when:

- the asset no longer presents indications of a significant deterioration since the reporting date. In this case, the asset is no longer provisioned;
- outstanding payments are settled. In this case, the asset is no longer considered sensitive (depending on the case, there may be a monitoring period to avoid recurrence);
- the asset is downgraded to non-performing.

The amount of this impairments is recorded under “Cost of risk” on the income statement and the value of the financial assets is impacted by the impairment.

► Impairment of overdrafts

The provisioning of unauthorised overdrafts applies to active and closed accounts. It is done monthly and factors in the duration of the overdraft for each account. Very small amounts are immediately recorded as losses.

Provisioning for accounts that are still open is carried out using the same method applied to home loans.

The Bank examines the outstanding debt position, even when it falls within the authorised overdraft limits, as soon as it involves a counterparty considered to be risky and exceeds 30 consecutive days, or else when there has been a missed payment. Impairments on these accounts are then recorded and change with the account balance. The contagion principle applies to other loans of the same category. Beyond a certain period, the account is closed.

Interest on doubtful receivables are recorded in Net Banking Revenue and fully amortised. Amortisation is recorded in the cost of risk.

Financing commitments

Financing commitments do not figure in the balance sheet, and are recorded as off-balance sheet items. These financing commitments are subject to provision in the liabilities of the balance sheet, as soon as a significant downgrade of the credit quality is identified, or the counterparty is in default.

Financial guarantee contracts

Guarantee commitments are valued according to the likelihood of these guarantees being exercised. Provisions are booked under liabilities.

Securities received as part of reverse repurchase agreements and borrowed securities

These securities are recorded as assets in an account representing the receivable generated. The corresponding income is accrued *prorata temporis* in the income statement.

Securities received as part of a reverse repurchase agreement and then sold are recorded under liabilities. They are valued at market value.

3 Securities

Securities are recorded on the balance sheet according to their type:

- ▶ government paper (Treasury bills and similar securities);
- ▶ bonds and other fixed-income securities (negotiable debt securities, and interbank market securities);
- ▶ equities and other variable-income securities.

Applying the provisions of ANC Regulation no.2014-07, these securities are recognised based on their destination portfolio that corresponds to the economic purpose of their holding: trading, held-for-sale, investment, portfolio securities and long-term equity stakes, other long-term securities and holdings in related companies.

They are subject to specific valuation rules for each portfolio category, as described below.

In the event of proven credit risk, fixed-income securities recorded in the investment portfolio are designated as doubtful, according to the same criteria as those applicable to doubtful receivables and commitments.

Trading securities

Trading securities include Treasury bills and negotiable debt securities, in addition to marketable securities. They are purchased or sold with the intention of reselling them or buying them back in the short term. They are traded on active markets.

Trading securities are recognised at their acquisition price on the date of acquisition, excluding charges and including accrued interest, where applicable. They are valued at their latest market price at the end of each accounting period. Any revaluation differences arising from this valuation are recorded in profit and loss.

Unrealised or realised gains or losses are recorded on the income statement under the heading "Gains or losses on trading portfolio transactions".

The coupons received are recognised under interest income.

Trading securities which are no longer held with the intention of selling them in the short term can be transferred to the "held-for-sale" or "investment" categories, if:

- ▶ an exceptional market situation requires a change in the holding strategy;
- ▶ if fixed-income securities can no longer be traded on an active market after their acquisition, and if the Bank has the capacity to hold them for a foreseeable future term or until maturity.

The securities thus transferred are recorded under their new category at the market value on the date of transfer.

If the characteristics of the market on which the trading securities were purchased change, such that this market can no longer be considered active, the institution revalues the securities in question by using valuation techniques that take the new characteristics of the market into consideration.

Held-for-sale securities

Held-for-sale securities include securities that do not meet the conditions for classification in the trading or investment portfolios.

Held-for-sale securities are recorded at their acquisition price, excluding charges, at the date they are acquired. They are managed on a "first-in, first-out" basis and valued as follows, according to homogeneous groups of securities and without offsetting the gains recorded on other categories of securities:

- ▶ bonds: unrealised losses compared with market value, calculated on the basis of the closing price, are recorded as an impairment;
- ▶ treasury bills, negotiable debt securities and interbank market securities: impairment charges are recorded depending on the issuers' solvency and according to market indicators.

Gains on micro-hedging transactions are taken into account when calculating the impairment charges.

Potential premiums or discounts are spread over the residual life of the security on an actuarial basis.

Income from held-for-sale securities are recognised in the income statement under interest income from fixed-income securities and income from variable-income securities, realised gains or losses as well as impairment provisions and reversals are recorded in the income statement under the heading "Gains or losses on investment portfolio transactions and similar".

Held-for-sale securities can be transferred to the investment securities category if:

- ▶ an exceptional market situation requires a change in the holding strategy,
- ▶ if fixed-income securities can no longer be traded on an active market after their acquisition, and if the Bank has the capacity to hold them for a foreseeable future term or until maturity.

The securities transferred are entered in their new category at the acquisition price and the previous amortisation are also transferred to then reversed over the residual life of the securities concerned.

In the absence of an active market, accounting valuation must be determined using valuation techniques. These techniques include the use of recent transactions carried out under normal competitive conditions. They are based on market data, the fair value of substantially identical instruments, or on data generated from cash flow discounting or option valuation models, using recognised valuation methods. The aim of a valuation process is to establish what the price of an instrument would be under normal market conditions. For example, the fair value of bonds or variable-income securities and futures is determined using quoted prices. The use of valuation techniques that are based on market data usually concerns over-the-counter derivatives, securities where income is taxed at the source (treasury bills, certificates of deposit, etc.) and repo deposits.

Investment securities

Investment securities consist of fixed-income securities purchased or reclassified from the “Held-for-sale securities” or “Trading securities” category, with the clear intention of holding them until maturity. They are recorded at their acquisition price at the date they are acquired, excluding charges.

At the time of closing, any unrealised losses that may exist between the carrying amount of the securities and their market price are not impaired. Conversely, when there is a likelihood that the bank will not receive all or part of the repayment value when the securities mature, an impairment charge is recorded. The difference between the acquisition and repayment price of the securities (premium or discount) is amortised on an actuarial basis.

The interest from these securities is recognised in the income statement under interest income on fixed-income securities.

Impairment provisions or reversals are recognised in the income statement under the heading “Cost of risk”.

In the event of a disposal or transfer to another category involving a significant amount with respect to the total amount of the other investment securities held, they can no longer be classified under this category for the current accounting period or in the following two financial years.

All the securities held and classified under “Investment securities” are then reclassified under the “Held-for-sale securities” category. When trading and held-for-sale securities are transferred to this category due to exceptional market situations requiring a change of strategy, disposals made before the maturity of these investment securities, if linked to the fact that they can once more be traded on an active market, do not lead to the application of the above-mentioned rule of reclassification of other securities held.

Portfolio holdings

Portfolio holdings correspond to investments that are made on a regular basis, with a view to generating a medium-term capital gain, without any intention of investing in the expansion of the business assets on a long-term basis, or playing an active role in the

operating management of the company issuing the securities. They are recognised at their acquisition price.

An impairment charge is recorded to cover a permanent loss of value of the securities due to the intrinsic deterioration of the company's situation.

Income from portfolio holding securities is recognised in the income statement under “Income from variable-income securities”.

Realised gains or losses as well as impairment provisions and reversals are recorded in the income statement under the heading “Gains or losses on portfolio investments and similar”.

Equity stakes, other long-term securities and holdings in related companies

Equity stakes comprise interests in companies for which La Banque Postale SA has significant influence on the governing bodies of the issuing companies, and investments that are strategic for the development of the activities of La Banque Postale SA. Such influence is presumed when La Banque Postale SA's holding is 10% or more.

Other long-term securities held are shares and similar that La Banque Postale SA intends to hold over the long term to generate sufficient returns over a more or less long term, without participating in the management of the issuing company, but with the intention of promoting long-term business relationships by forming a special link with the issuing company.

Holdings in related companies consist of equities and other variable-income securities in associates over which La Banque Postale SA has exclusive control, *i.e.* those that could be fully consolidated in the Group's financial statements.

On the closing date, the securities owned are valued at their value in use, which is estimated based on various criteria, such as net assets, prospective returns, and discounted future cash flows. An impairment charge is recorded in the event of permanent impairment of the Company's value in use. Charges net of write-backs, and gains or losses on the disposal of these securities are recorded under “Gains and losses on non-current assets”.

Dividends are recorded at the date they were decided on by the General Meeting of Shareholders, or at the date of payment when the date of the decision is not known. They are recorded under “Income from variable-income securities”.

4 Tangible and intangible fixed assets

Fixed assets are valued at their acquisition cost, to which initial fixtures and fittings costs may be added in the case of buildings.

In application of the provisions of ANC regulation no. 2014-03, six components were selected for the Bank's operating properties: structural work, roofing, joinery and external works, major equipment items, small equipment items and fixtures and fittings, and land.

Depreciation is calculated on a straight-line basis over the likely useful life. Depending on their components, buildings are therefore depreciated over periods ranging between 10 and 80 years:

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

Installations and fixtures and fittings are usually depreciated over ten years.

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

The following expenses are included in intangible fixed assets:

- ▶ the development costs committed over the development phase, if the activation conditions specific to the development costs are met (reference method);
- ▶ capital increase, merger, split, contribution and transformation expenses (no reference method).

Development fees are generally amortised over the estimated period of use of the project or maximum five years. Capital increase costs are amortised based on an amortisation plan over no more than five years.

5 Liabilities due to credit institutions, and customer accounts in credit

This debt includes deposits, borrowings, securities given under repurchase agreements and loaned securities.

Borrowings

Borrowings are recorded under liabilities at their repayment value. The corresponding interest is recorded in the income statement on a pro rata basis.

Securities given under repurchase agreements

The arising liability is recorded under liabilities. The securities are kept in their original portfolio and continue to be valued according to the rules applicable to that portfolio. The corresponding interest is recorded in the income statement on a pro rata basis.

6 Debt securities

Debt securities consist of negotiable debt securities issued by La Banque Postale.

Interest accrued and not yet due attached to these securities is recorded in a related payables account and charged against the income statement.

The issue costs are amortised on an actuarial basis over the term of the corresponding issues, as are the issue premiums and repayments.

7 Provisions

The following items are currently included under this heading:

- ▶ provisions relating to financing commitments and guarantee contracts;
- ▶ provisions booked to meet employee-related commitments, which mainly correspond to retirement compensation;

▶ other provisions recorded pursuant to the provisions of ANC regulation no. 2014-03, regarding the recognition of liabilities. These provisions are intended to cover liabilities and charges where the purpose is clearly specified, and where the amount or maturity cannot be accurately determined. The recording of such provisions is conditional on the existence of an obligation towards a third party at the year-end, and on the absence of an amount that is least equivalent expected as consideration from that third party;

▶ provisions to cover signed commitments, where the likelihood of a collateral call has become very high;

▶ the home loan savings accounts (CEL) and home loan savings plans (PEL) offered to individual customers under the provisions of the law of 10 July 1965 include two stages: a stage where funds are gathered in the form of remunerated savings and a stage where they are used to grant home loans.

The CEL and PEL generate two kinds of commitments for the distributing institution:

- ▶ an obligation to pay interest on future savings at a rate fixed at the opening of the account for an indefinite period for PEL accounts opened before 28 February 2011, and at a rate that is reviewed annually for new generation accounts;
- ▶ an obligation to grant customers who request it, a loan at a rate set on signature of the agreement.

These commitments have potentially unfavourable consequences (Notice No. 2006-02 issued by the French national accounting council (CNC)) for the Bank, and are the subject of provisions booked under balance sheet liabilities (under "Provisions"). Changes in these provisions are recorded under net banking income in the interest margin.

The provisions are estimated on the basis of customer behaviour statistics and market data for each generation of plans, in order to cover any future expenses arising from the potentially unfavourable interest rate conditions attached to these products relative to the rates offered to retail customers on similar products for which the remuneration is not regulated. The provisions only relate to the commitments for home loan savings accounts and plans that exist at the date the provision is calculated.

Provisions are calculated for each generation of home loan savings plans, with no offsetting of commitments among the different generations, and for all the home loan savings accounts representing one generation.

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

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

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

These results are assessed relative to the rates offered to retail customers on equivalent savings and lending products and that are consistent with respect to the estimated lifespan of the deposits and date they were set up.

8 Subordinated debt

This item includes debt where repayment is only possible once other senior or secured creditors have been repaid in the event that the debtor's assets are liquidated.

Interest accrued and payable is recorded in a related payables account and charged against income.

9 Fund for general banking risks

The aim of this fund is to counter operational risk and the expenses inherent to the banking and financial asset management business that cannot be covered elsewhere.

10 Derivative transactions

Transactions involving interest rate, foreign exchange, or equity futures are recorded in accordance with the provisions of ANC regulation no.2014-07. Commitments relating to these transactions are recorded as off-balance sheet items at the nominal value of the contract.

The recognition of income or losses on these instruments depends on the management intention.

Macro-hedging transactions

Income and expenses relating to macro-hedging transactions are recorded on the income statement on a pro rata basis. An amount offsetting this entry is recorded in accruals until the date when the funds are received or disbursed.

The balances recorded when interest rate hedging instruments are terminated are immediately recognised on the income statement.

Micro-hedging transactions

The income or expense from instruments that are assigned from the outset to hedge an item or a homogeneous group are symmetrically recorded on the income statement against the hedged item's income or expense.

The balances recorded when interest rate hedging instruments are terminated are immediately recognised on the income statement.

Other transactions

These transactions are valued based on their market value at the reporting date.

Where over-the-counter transactions corresponding to isolated open positions are concerned, the income or loss is recorded when the contract unwinds, depending on their type. Unrealised gains are not recognised. Potential unrealised losses, defined as the difference between estimated market value and the carrying value, are subject to a provision charge.

Unrealised or realised gains or losses on transactions carried out on an organised market are recorded directly under income for the financial year.

11 Off-balance sheet commitments

The off-balance sheet statement mainly shows the financing commitments given (cash facilities, overdrafts, irrevocable

financing commitments) and the guarantee commitments received or given that have not led to fund movements.

Other commitments given correspond primarily to the fair value of securities pledged in favour of the European Central Bank as part of the financing commitment received from the latter or as part of collateral for loans in favour of the home loan company of LBP Group (La Banque Postale Home Loan SFH).

12 Employee-related commitments

Most of the employee-related commitments are covered by contributions that are expensed.

In the case of employees' rights to retirement compensation, which are not covered by insurance policies, pursuant to the preferential method specified in CNC Recommendation no.03-R-01, these rights are provisioned according to an actuarial method that factors in the age and the seniority of the staff, life expectancies, and their likelihood of remaining at the Group until retirement age, as well as the estimated increase in remuneration.

The pension plan for contracted staff is characterised by payments to organisations that release the employer from any subsequent obligation, as the organisation is responsible for paying the amounts due to the employee. Therefore, once the contributions have been paid, no liability or commitment is shown in the Group's financial statements. Contributions paid to independent bodies are expensed in the period concerned.

The Amending Finance Law of 2006 introduced a reform of the way in which the pensions for government employees attached to La Poste Group were financed, which was applied retroactively as from 1 January 2006.

Under the scheme introduced in 2006, the Group pays an employer contribution, which discharges it of its liabilities. As a result, no provision for the retirement of civil servants is recorded in the financial statements.

13 Commission income and expenses

La Banque Postale recognises commissions in profit and loss depending on the services supplied and the way in which the financial instruments to which that service relates are recognised:

- ▶ commissions paid for ongoing services are recognised in profit and loss over the length of the service (commissions on means of payment);
- ▶ commissions paid for one-off services or for a major transaction are recognised in full in profit and loss when the service is provided or the transaction carried out (account management commissions, commissions on payment incidents);
- ▶ variable commission income cannot be recorded in profit or loss unless it is sure;
- ▶ commissions treated as additional interest are an integral part of the effective rate. These commissions are therefore recognised under interest income and expenses and not under commissions.

14 Management fees

La Banque Postale immediately recognises constitution, transformation and initial set-up costs (reference method) in the expenses for the period.

15 Cost of risk

The cost of credit risk includes:

- impairment provisions and reversals on customer loans and receivables;
- impairment provisions and reversals relating to financial guarantee contracts and financing commitments;
- discounts on restructured loans, as well as the recovery of amortised receivables.

16 Corporate income tax

Only the tax payable is recorded in the separate parent company financial statements. The tax expense indicated in the income statement corresponds to the corporate income tax payable for 2019.

The standard tax rate is 33.33%, plus a 3.3% social security contribution on earnings, giving an effective tax rate of 34.43%. Note that a reduced rate of 28% applies to a fraction of €500,000 of taxable income, which can reduce the effective tax rate depending on the level of taxable income.

La Banque Postale is part of the La Poste Group's tax group. Given the terms of the agreement, the tax charge recorded in La Banque Postale's accounts is identical to what it would be if there was no tax consolidation.

NOTE 2 NOTES TO THE BALANCE SHEET

2.1 Breakdown of cash and central banks

(in € thousands)	31.12.2019	31.12.2018
Cash	1,167,739	944,127
Central banks	21,244,620	1,062,421
Receivables related to central banks		
CASH AND CENTRAL BANKS	22,412,359	2,006,548

2.2 Receivables due from credit institutions and similar

(in € thousands)	31.12.2019	31.12.2018
Current accounts in debit	380,026	52,286
Overnight accounts and loans	-	15,500,000
Securities borrowed overnight	-	-
Securities received under repurchase agreements	1,894,663	664,238
Other securities borrowed	-	-
Amounts not classified	1,911	1,254
Doubtful receivables	-	-
Related receivables	39	19
Gross total	2,276,639	16,217,797
Impairments	0	(0)
Sight receivables due from credit institutions	2,276,639	16,217,797
Term accounts and loans ⁽¹⁾	88,924,391	90,323,438
Securities received under repurchase agreements	-	-
Other securities borrowed	-	-
Subordinated loans ⁽²⁾	101,219	93,018
Doubtful receivables	-	-
Related receivables	15,062	23,137
Gross total	89,040,671	90,439,593
Impairments	-	-
Term receivables due from credit institutions	89,040,671	90,439,593
RECEIVABLES DUE FROM CREDIT INSTITUTIONS AND SIMILAR	91,317,310	106,657,390

(1) Including accounts opened with the CDC: The amounts centralised at the CDC include Livret A, Sustainable Development and National Savings account balances. The amounts centralised at the Caisse des dépôts et consignations (CDC) amounted to a total of €67,290,998 thousand in 2019 *versus* €69,347,759 thousand in 2018. Of which loans to subsidiaries of the La Banque Postale Group: €20,775,806 thousand.

(2) These are subordinated loans granted to Crédit Logement to enable the Company to comply with its regulatory capital commitments.

2.3 Liabilities due to credit institutions and similar

(in € thousands)	31.12.2019	31.12.2018
Current accounts in credit ⁽¹⁾	2,663,363	2,660,209
Overnight accounts and borrowings	44,508	-
Securities loaned overnight	-	-
Securities given under repurchase agreements	-	-
Other amounts owed	19,301	10,305
Related payables	-	-
Sight liabilities due to credit institutions	2,727,172	2,670,514
Term accounts and loans ⁽²⁾	15,848,155	10,418,239
Securities loaned	-	-
Securities given under repurchase agreements	25,381,969	14,635,241
Related payables	47,624	40,233
Term liabilities due to credit institutions	41,277,748	25,093,712
LIABILITIES DUE TO CREDIT INSTITUTIONS AND SIMILAR	44,004,919	27,764,226

(1) Of which with subsidiaries of the La Banque Postale Group: €1,547,180 thousand at 31.12.2019.

(2) Of which with subsidiaries of the La Banque Postale Group: €11,716,541 thousand at 31.12.2019.

2.4 Receivables – Customer transactions

(in € thousands)	31.12.2019	31.12.2018
Commercial receivables	-	-
Current accounts in debit ⁽¹⁾	651,472	771,382
Loans to financial customers	347,592	343,639
Short-term credit facilities	3,565	4,814
Home loans	58,583,391	55,344,779
Loans to legal entities	14,625,790	10,309,567
Loans to the local public sector	8,328,360	7,053,804
Export credits	-	-
Other loans	11,296	38,863
Non-allocated securities ⁽²⁾	21,846	16,378
Securities received under repurchase agreements	6,865,916	15,182
Subordinated loans	-	-
Finance lease transactions	-	-
Customer transactions before impairment charges	89,439,227	73,898,408
Impairments relating to customer receivables		
▶ On current accounts in debit	(60,613)	(67,876)
▶ On customer loans	(324,220)	(281,696)
CUSTOMER TRANSACTIONS	89,054,394	73,548,837
<i>Of which related receivables</i>	131,895	127,300
<i>Of which gross doubtful receivables</i>	363,198	334,129
<i>Of which gross non-performing receivables</i>	443,759	471,343
<i>Of which performing restructured receivables</i>	31,817	29,296

(1) Amount of receivables related to subsidiaries: €49,980 thousand at 31.12.2019.

(2) This item primarily represents receivables relating to discretionary transactions.

2.5 Liabilities – Customer transactions

(in € thousands)	31.12.2019	31.12.2018
Special sight savings accounts	86,560,087	85,964,174
Special term savings accounts	27,689,113	27,983,277
Related payables	1,807	1,810
Special savings accounts	114,251,007	113,949,261
Current accounts in credit ⁽¹⁾	70,633,758	65,141,710
Related payables	8,790	8,887
Customer current accounts in credit	70,642,548	65,150,597
Financial customer borrowings	1,254,783	821,834
Term deposit accounts in credit	35,735	49,270
Securities loaned		
Securities and other assets delivered under repurchase agreements	2,726,240	3,935,362
Other amounts payable to customers	379,251	484,341
Related payables	(667)	(668)
Other liabilities to customers	4,395,341	5,290,139
CUSTOMER TRANSACTIONS	189,288,896	184,389,998

(1) Of which €228,084 thousand with subsidiaries vs. €205,581 thousand in 2018.

2.6 Financial transactions – Breakdown by category

(in € thousands)	31.12.2019				
	Securities				Total
	Trading ⁽¹⁾	Held-for-sale	Investment	Portfolio	
Government paper and similar securities					
Repayment value	1,374,710	5,548,511	20,746,762	-	27,669,983
Residual premiums/discounts	-	388,861	852,263	-	1,241,124
Related receivables	-	37,809	270,896	-	308,704
Impairments	-	-	-	-	-
Net carrying amount	1,374,710	5,975,181	21,869,920	-	29,219,811
Of which loaned securities	240,261	285,530	1,257,740	-	1,783,531
Of which listed securities	469,710	5,975,181	21,869,920	-	28,314,811
Bonds and other fixed-income securities					
Repayment value	5,275,284	14,646,901	3,825,000	-	23,747,185
Residual premiums/discounts	-	148,530	6,626	-	155,156
Related receivables	-	76,002	39,755	-	115,757
Impairments	-	(9,834)	-	-	(9,834)
Net carrying amount	5,275,284	14,861,599	3,871,381	-	24,008,264
Of which loaned securities	-	-	-	-	-
Of which listed securities	1,525,864	14,457,618	3,871,381	-	19,854,863
Equities and other variable-income securities					
Gross carrying amount	-	609,203	-	56,142	665,345
Related receivables	-	-	-	-	-
Impairments	-	(16,319)	-	(4,085)	(20,404)
Net carrying amount	-	592,884	-	52,057	644,941
Of which loaned securities	-	-	-	-	-
Of which listed securities	-	476,610	-	-	476,610
NET TOTAL BY PORTFOLIO TYPE	6,649,994	21,429,663	25,741,301	52,057	53,873,016

(1) The balance sheet value of trading securities corresponds to their market value.

The counterparty risk attached to fixed-income securities is described in detail in Note 2.23.1

During financial year 2019, no held-for-sale securities were transferred to investment portfolios.

The disposal of the Investment the ALM portfolio debt securities carried out during the first half of the year is part of the programme

to extend the duration of fixed-rate assets to offset that of the sight deposits. It corresponds to the exception context provided for by the standard which doesn't call into question use of the "Investment securities" intention. The additional disposals carried out during the second half of the year comply with the IFRS 9 framework.

	31.12.2018				
		Securities			
(in € thousands)	Securities ⁽¹⁾	Held-for-sale	Investment	Portfolio	Total
Government paper and similar securities*					
Repayment value	1,842,477	4,126,962	18,941,477	-	24,910,916
Residual premiums/discounts	-	90,779	477,255	-	568,034
Related receivables	-	17,038	307,194	-	324,232
Impairments	-	(6,084)	-	-	(6,084)
Net carrying amount	1,842,477	4,228,694	19,725,927	-	25,797,097
Of which loaned securities	136,868	-	289,932	-	426,800
Of which listed securities	1,440,066	4,228,694	19,725,927	-	25,394,687
Bonds and other fixed-income securities					
Repayment value	5,483,977	14,177,956	2,043,950	-	21,705,883
Residual premiums/discounts	-	29,945	(10,777)	-	19,168
Related receivables	-	92,166	45,198	-	137,364
Impairments	-	(146,225)	-	-	(146,225)
Net carrying amount	5,483,977	14,153,842	2,078,371	-	21,716,190
Of which loaned securities	-	-	-	-	-
Of which listed securities	1,665,460	13,581,021	2,078,371	-	17,324,852
Equities and other variable-income securities					
Gross carrying amount	-	653,048	-	48,731	701,779
Related receivables	-	-	-	-	-
Impairments	-	(23,029)	-	(3,697)	(26,726)
Net carrying amount	-	630,019	-	45,034	675,053
Of which loaned securities	-	-	-	-	-
Of which listed securities	-	289,075	-	-	289,076
NET TOTAL BY PORTFOLIO TYPE	7,326,454	19,012,554	21,804,298	45,034	48,188,340

(1) The balance sheet value of trading securities corresponds to their market value.

During financial year 2018, no held-for-sale securities were transferred to investment portfolios.

During the 2018 financial year, an investment security was sold for an insignificant amount.

2.7 Market value of financial transactions

(in € thousands)	Held-for-sale securities		Investment securities		Portfolio securities	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
GOVERNMENT PAPER AND SIMILAR SECURITIES						
Net carrying amount ⁽¹⁾	5,975,181	4,228,694	21,869,920	19,725,927		
Market value	6,224,419	4,283,240	23,332,656	21,002,093		
BONDS AND OTHER FIXED-INCOME SECURITIES						
Net carrying amount ⁽¹⁾	14,861,599	14,153,842	3,871,381	2,078,371		
Market value	14,909,150	14,168,365	3,929,125	2,197,425		
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES						
Net carrying amount	592,884	630,019			52,058	45,034
Market value and/or value in use for portfolio holdings	707,458	648,086			77,681	68,250

(1) Impairment losses are calculated taking into account unrealised gains and losses relating to any financial instruments assigned as hedges for held-for-sale securities.

2.8 Debt securities

(in € thousands)	31.12.2019	31.12.2018
Short-term notes	-	-
Related payables	-	-
Short-term notes	-	-
Interbank market securities	-	-
Certificates of deposit	10,890,972	8,114,934
Negotiable medium-term bills and other negotiable debt securities issued	-	-
Related payables	(6,978)	(4,553)
Interbank market securities and negotiable debt securities	10,883,994	8,110,380
Bond issues and similar	3,600,846	1,964,847
Issue premiums	(15,465)	(8,521)
Related payables	18,723	11,445
Bond issues and similar	3,604,103	1,967,771
Other debt securities	772,656	296,623
Related payables	29	-
Other debt securities	772,686	296,623
DEBT SECURITIES	15,260,783	10,374,774

2.9 Breakdown of the portfolio breakdown of holdings in related companies

(in € t272housands)	31.12.2019				31.12.2018			
	Gross carrying amount of securitiesAdvances	Impair-ments	Net carrying amount of securities	Share of capital in %	Gross carrying amount of securitiesAdvances	Impair-ments	Net carrying amount of securities	Share of capital in %
SF2	1,143,909		1,143,909	100.00%	1,143,909		1,143,909	100.00%
La Banque Postale Leasing & Factoring	220,000		220,000	100.00%	220,000		220,000	100.00%
BPE	157,626		157,626	100.00%	157,626		157,626	99.99%
LBP Home Loan SFH	210,004		210,004	100.00%	210,004		210,004	100.00%
LBP Financement	376,000		376,000	35.00%				
LBP Collectivités Locales	650		650	65.00%	650		650	65.00%
LBP Prévoyance	291,635		291,635	50.00%	291,635		291,635	50.00%
Ma French Bank	228,000		228,000	99.99%	228,000		228,000	99.99%
SOFIAP	37,754		37,754	66.00%	37,754		37,754	66.00%
TOTAL EQUITY INVESTMENTS AND CONSOLIDATABLE ADVANCES	2,665,578		2,665,578		2,289,577		2,289,577	
Of which listed investments								

2.10 Breakdown of the portfolio of equity holdings and other long-term securities

(in € thousands)	31.12.2019				31.12.2018			
	Gross carrying amount of securitiesAdvances	Impairments	Net carrying amount of securities	Share of capital in %	Gross carrying amount of securitiesAdvances	Impairments	Net carrying amount of securities	Share of capital in %
Certificates of association	154,988		154,988		122,325		122,325	
BPI France Financement	4,008		4,008	N/S	4,008		4,008	N/S
Transactis	11,574		11,574	50.00%	2,474		2,474	50.00%
STET	6,917		6,917	5.01%	6,917		6,917	5.01%
Visa Inc	13,458		13,458	N/S	13,204		13,204	N/S
Ezyness	11,200	(11,200)		100.00%	5,200	(2,001)	3,199	100.00%
Domiserve	15,000		15,000	100.00%	15,000		15,000	100.00%
KKBB	44,600	(15,100)	29,500	100.00%	39,600	(15,600)	24,000	100.00%
Other	3,757		3,757		3,683		3,683	
EQUITY HOLDINGS AND OTHER LONG-TERM SECURITIES	265,502	(26,300)	239,202		212,411	(17,601)	194,810	
Of which listed securities								

2.11 Breakdown of fixed assets

(in € thousands)	01.01.2019				Change			31.12.2019			31.12.2018		
	Gross amount	Purchases	Transfers	Disposals				Gross amount	Cumulative depreciation, amortisation and impairment	Net amount	Gross amount	Cumulative depreciation, amortisation and impairment	Net amount
Land	-	-	-	-				-	-	-	-	-	-
Buildings ⁽¹⁾	375,723	-	-	-				375,723	-	375,723	375,723	-	375,723
Other operating fixed assets	669,312	41,188	(559)	(34,415)				675,526	(531,948)	143,579	669,312	(512,552)	156,760
Property, plant and equipment	1,045,036	41,188	(559)	(34,415)				1,051,250	(531,948)	519,303	1,045,036	(512,552)	532,483
Set-up costs	-	-	-	-				-	-	-	-	-	-
Franchises, licenses, and patents	306,750	18,928	486	(1,286)				324,878	(271,759)	53,119	306,750	(250,087)	56,663
Other intangible assets	1,282,418	182,661	73	(8)				1,465,144	(846,831)	618,313	1,282,418	(755,336)	527,082
Intangible fixed assets	1,589,168	201,589	559	(1,294)				1,790,022	(1,118,590)	671,432	1,589,168	(1,005,423)	583,745
TANGIBLE AND INTANGIBLE FIXED ASSETS	2,634,204	242,777	-	(35,709)				2,841,272	(1,650,537)	1,190,734	2,634,204	(1,517,975)	1,116,229

(1) This item consists of the equity interests in SCI CRSF and SCI Tertiaire Saint Romain, in accordance with the 2007 recommendations of the French Prudential Supervision and Resolution Authority (ACPR).

2.12 Breakdown of accruals and other assets

(in € thousands)	31.12.2019	31.12.2018
Prepaid expenses	51,088	40,331
Receivable income from derivatives	323,458	295,814
Other receivable income	362,341	339,382
Revaluation of derivatives and foreign exchange instruments	241	21
Collection accounts	2,703	4,950
Other accruals	610,907	663,811
Accruals	1,350,739	1,344,310
Options purchased	48,969	21,286
Collective management of Sustainable Development accounts	-	-
Guarantee deposits paid ⁽¹⁾	725,945	647,001
Settlement accounts for securities transactions	677	8,094
Related receivables	784	386
Other assets ⁽²⁾	927,781	852,441
Impairments	(23,920)	(11,246)
OTHER ASSETS	1,680,235	1,517,962
ACCRUALS AND OTHER ASSETS	3,030,973	2,862,271

(1) Including €25,000 thousand with subsidiaries.

(2) Including €49,787 thousand with subsidiaries.

2.13 Breakdown of accruals and other liabilities

(in € thousands)	31.12.2019	31.12.2018
Deferred income	491,720	482,776
Expenses payable on derivatives	280,836	294,697
Revaluation of derivatives and foreign exchange instruments		340
Other accruals ⁽¹⁾	1,468,854	1,526,056
Accruals	2,241,411	2,303,868
Options sold	49,249	21,639
Securities-related liabilities		
Sundry creditors ⁽²⁾	1,928,429	1,727,571
Settlement accounts for securities transactions	7,748	6,724
Related payables	1,313	965
Other liabilities	1,986,739	1,756,899
ACCRUALS AND OTHER LIABILITIES	4,228,150	4,060,767

(1) This item primarily represents accruals for means of payment transactions in the Financial Centres.

(2) Including €116,315 thousand with subsidiary companies.

2.14 Breakdown of provisions for liabilities

(in € thousands)	31.12.2018	Allocations	Reversals of used provisions	Reversals of unused provisions	Other changes	31.12.2019
Provisions for retirement and other employee-related commitments	37,620	7,300	(3,697)	(3,149)	-	38,074
Home savings provisions	251,900	-	(68,600)	-	-	183,300
Other provisions	250,546	212,833	(54,986)	(57,450)	-	350,942
Provisions (excluding counterparty risk)	540,066	220,132	(127,283)	(60,600)	-	572,316
Signed commitments	-	-	-	-	-	-
Provisions for guarantee contracts	7,893	17,001	-	(21,223)	-	3,670
Provisions for financing commitments	22,113	17,505	-	(27,276)	-	12,342
Provisions for counterparty risk recorded under liabilities	30,006	34,506	-	(48,500)	-	16,012
PROVISIONS	570,072	254,638	(127,283)	(109,099)	-	588,328

2.15 Breakdown of the home savings optionality

Generation (€ millions)	Deposits collected	Loans granted in respect of PEL and CEL accounts	2019 provision	2018 provision	Change
> 10 years	8,212		73	68	6
4-10 years	16,841		89	126	(36)
< 4 years	2,004		9	38	(30)
Total home savings plans (PEL)	27,057	16	171	232	(60)
Total home savings accounts (CEL)	4,265	110	12	20	(8)
OVERALL TOTAL	31,322	126	183	252	(69)

2.16 Subordinated debt

(in € thousands)	Date of issue	Maturity date	Rate	Original currency	31.12.2019	31.12.2018
Redeemable subordinated debt	30.11.2010	30.11.2020	4.375%	EUR	750,000	750,000
Redeemable subordinated debt	23.04.2014	23.04.2026	2.750%	EUR	750,000	750,000
Redeemable subordinated debt	19.11.2015	19.11.2027	2.750%	EUR	750,000	750,000
Redeemable subordinated debt	09.06.2016	09.06.2028	3.000%	EUR	500,000	500,000
Redeemable subordinated debt	05.10.2016	05.10.2028	2.250%	EUR	100,000	100,000
Redeemable subordinated debt	16.01.2017	09.06.2028	3.000%	EUR	150,000	150,000
Perpetual subordinated debt ⁽¹⁾	13.12.2013	N/A	8.000%	EUR		800,000
Perpetual subordinated debt ⁽²⁾	14.11.2019	N/A	3.875%	EUR	750,000	
Interest and similar					20,347	24,422
TOTAL					3,770,347	3,824,422

(1) La Banque Postale increased its equity by €800 million following the conversion into shares of AT1 bonds issued in 2013 and held entirely by La Poste.

(2) La Banque Postale issued its first Additional Tier 1 bond in the amount of €750 million on 14 November 2019.

2.17 Breakdown of transactions with credit institutions and customers by residual maturity

(in € thousands)	Accrued interest	<= 3 months	3 months to 1 year	1 to 5 years	> 5 years	31.12.2019
ASSETS						
Loans and receivables due from credit institutions and similar	14,903	70,484,052	4,100,256	11,046,294	5,671,805	91,317,309
Receivables due from customers	131,936	8,593,654	6,623,284	23,799,018	49,906,503	89,054,394
Security portfolios (trading, held-for-sale, investment)						
Government paper and similar securities	285,085	513,120	3,546,948	7,414,103	17,460,556	29,219,810
Bonds and other fixed-income securities	88,248	1,340,199	5,279,240	10,176,851	7,123,726	24,008,263
LIABILITIES						
Liabilities due to credit institutions and similar	63,027	28,756,680	2,327,968	5,644,244	7,213,000	44,004,919
Liabilities to customers	10,808	189,160,596	-	117,493	-	189,288,896
Debt securities						
Bond issues	18,723	73,550	105,483	978,316	2,428,031	3,604,103
Interbank market securities and negotiable debt securities	(6,976)	8,208,103	2,668,516	14,350	-	10,883,994
Other debt securities	29	-		50,600	722,056	772,686
Subordinated debt	20,347		750,000		3,000,000	3,770,347
OFF-BALANCE SHEET						
Financing commitments given	-	14,679,878	4,387,169	4,536,873	1,420,491	25,024,412
Guarantee commitments given	-	1,021,278	1,803,730	3,666,940	15,852	6,507,800

2.18 Equity

(in € thousands)	Fund for general banking risks (FGBR)	Share capital	Issue and contribution premiums	Legal reserves	Other reserves and retained earnings	Parent company net income	Parent company equity (excluding FGBR)	Total parent company equity
Equity at 31 December 2015	22,000	4,046,408	16,719	159,974	888,193	478,261	5,589,555	5,611,556
Appropriation of net income Y-1				23,913	454,348	(478,261)		
Distribution Y of net income Y-1					(318,083)		(318,083)	(318,083)
Reversal of regulated provisions					(2)			
Net income Y						564,066	564,066	564,066
Equity at 31 December 2016	22,000	4,046,408	16,719	183,887	1,024,456	564,066	5,835,539	5,857,539
Appropriation of net income Y-1				28,203	535,863	(564,066)		
Distribution Y of net income Y-1					(312,101)		(312,101)	(312,101)
Reversal of regulated provisions								
Net income Y						553,183	553,183	553,183
Equity at 31 December 2017	22,000	4,046,408	16,719	212,091	1,248,218	553,183	6,076,618	6,098,618
Appropriation of net income Y-1				27,659	525,524	(553,183)		
Distribution Y of net income Y-1					(343,769)		(343,769)	(343,769)
Reversal of regulated provisions								
Net income Y						124,893	124,893	124,893
Equity at 31 December 2018	22,000	4,046,408	16,719	239,752	1,429,973	124,893	5,857,743	5,879,743
Appropriation of net income Y-1				6,245	118,648	(124,893)		
Distribution Y of net income Y-1					(326,527)		(326,527)	(326,527)
Capital increase ⁽¹⁾		585,247	214,753				800,000	800,000
Reversal of regulated provisions								
Net income Y						288,929	288,929	288,929
Equity at 31 December 2019	22,000	4,631,654	231,473	245,996	1,222,094	288,929	6,620,144	6,642,146

(1) On 27 May 2019, la Banque Postale carried out a capital increase of €800,000 thousand via the conversion of subordinated Tier 1 debt (bonds convertible to shares). 5,089,102 new shares were issued for an increase in nominal of €585,247 thousand. The share capital of LBP SA therefore increased €4,046,408 thousand to €4,631,654 thousand.

2.19 Breakdown of foreign exchange transactions

(in € thousands)	31.12.2019	31.12.2018
Cash foreign exchange transactions:		
euros purchased and not yet received	223,080	10,707
foreign currency purchased and not yet received	-	525,900
Lending and borrowing transactions:		
Forward foreign exchange transactions:		
euros receivable against currencies to be delivered	920,232	1,593,117
currencies receivable against euros to be delivered	6,486,901	5,192,012
Non-accrued swap points:		
to be received	35,240	23,067
to be paid	4,398	6,131

2.20 Breakdown of derivative instruments

(in € thousands)	31.12.2019					
	Position management transactions		Macro-hedging transactions		Micro-hedging transactions	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
FUTURES AND FORWARDS	44,088,230	139,700	29,077,707	85,549	23,842,245	180,456
Organised markets	1,008,334	1,314				
Interest rate futures	1,008,334	1,314				
Other contracts						
OTC	43,079,896	138,386	29,077,707	85,549	23,842,245	180,456
Interest rate swaps	35,721,403	62,665	29,077,707	85,549	23,704,748	189,382
FRA						
Other contracts	7,358,493	75,721			137,497	(8,926)
OPTIONS	22,619,724	272,745				
Organised markets						
Interest rate options						
Other options						
OTC	22,619,724	272,745				
Caps, floors	18,309,324	(3,203)				
Swaptions	310,000	808				
Currency options						
Credit derivatives	3,709,663	(15,598)				
Other options	290,738	290,738				

There was no transfer of derivatives from one category to another.

(in € thousands)	31.12.2018					
	Position management transactions		Macro-hedging transactions		Micro-hedging transactions	
	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
FUTURES AND FORWARDS	35,961,022	(16,717)	21,654,469	67,423	20,185,944	60,348
Organised markets	1,962,961	2,213				
Interest rate futures	1,962,961	2,213				
Other contracts						
OTC	33,998,061	(18,930)	21,654,469	67,423	20,185,944	60,348
Interest rate swaps	27,573,007	2,264	21,654,469	67,423	18,364,150	50,092
FRA						
Other contracts	6,425,054	(21,194)			1,821,794	10,256
OPTIONS	10,692,591	449,149				
Organised markets						
Interest rate options						
Other options						
OTC	10,692,591	449,149				
Caps, floors	8,313,198	(1,310)				
Swaptions	120,000	(76)				
Currency options						
Credit derivatives	1,798,197	(10,662)				
Other options	461,197	461,197				

There was no transfer of derivatives from one category to another.

2.21 Counterparty risk relating to financial instruments

A financial asset and liability are offset and a net balance is shown on the balance sheet when La Banque Postale has a legally enforceable right to offset the amounts recognised, and when it intends either to settle the net amount or to realise the asset and settle the liability simultaneously. A financial asset and liability covered by a master netting agreement or similar agreement meeting the definition of an enforceable contract (legally enforceable right to offset securities with the same maturity against cash), which can be exercised under all conditions but does not

meet the offsetting criteria, are presented as net book value where they are realised with the same legal entity.

The tables below show the amounts of financial assets and liabilities that were offset in the Bank's balance sheet as well as the amounts that could be offset in accordance with the master netting agreements or similar agreements, but which are not eligible to be offset in the Bank's accounts. The net positions resulting from the various offsets are not intended to measure the Bank's exposure to counterparty risk on these financial instruments.

2019 Assets

	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) - (d) - (e)
	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Net financial assets	Amounts not offset	Securities received and not recorded on the balance sheet	Net carrying amount
				Financial instruments	Cash collateral received	
(in € thousands)						
Derivatives (market value)	2,421,134		2,421,134	1,199,110	1,085,594	136,430
Borrowed and loaned securities (amortised cost)	12,873,706	4,115,761	8,757,946	687,719	57,132	6,782
Other financial assets	4,782		4,782	1,314		3,468
TOTAL	15,299,622	4,115,761	11,183,861	1,888,143	1,142,726	146,680

2019 Liabilities

	(a)	(b)	(c) = (a) - (b)	(d)	(e)	(f) = (c) - (d) - (e)
	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Financial liabilities presented as net	Amounts not offset	Securities delivered and not recorded on the balance sheet	Net carrying amount
				Financial instruments	Cash collateral paid	
(in € thousands)						
Derivatives (market value)	1,361,776		1,361,776	1,199,110	150,549	12,116
Borrowed and loaned securities (amortised cost)	32,207,783	4,115,761	28,092,022	687,477	1,919,272	15,617
Other financial liabilities						
TOTAL	33,569,559	4,115,761	29,453,798	1,886,587	2,069,821	27,734

2018 Assets

	(a)	(b)	(c) = (a) - (b)	(d)		(e)	(f) = (c) - (d) - (e)
	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Net financial liabilities	Amounts not offset		Securities received and not recorded on the balance sheet	Net carrying amount
(in € thousands)				Financial instruments	Cash collateral received		
Derivatives (market value)	1,665,515	-	1,665,515	638,551	961,426		65,539
Borrowed and loaned securities (amortised cost)	5,906,969	5,226,311	680,658	264,406	-	416,228	24
Other financial assets	5,208	-	5,208	2,896	-		2,312
TOTAL	7,577,692	5,226,311	2,351,381	905,853	961,426	416,228	67,875

2018 Liabilities

	(a)	(b)	(c) = (a) - (b)	(d)		(e)	(f) = (c) - (d) - (e)
	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Net financial assets	Amounts not offset		Securities received and not recorded on the balance sheet	Net carrying amount
(in € thousands)				Financial instruments	Cash collateral received		
Derivatives (market value)	878,483		878,483	638,551	216,269		23,663
Borrowed and loaned securities (amortised cost)	23,779,099	5,226,311	18,552,788	263,619	36,192	18,237,371	15,607
Other financial liabilities							
TOTAL	24,657,582	5,226,311	19,431,271	902,170	252,461	18,237,371	39,270

2.22 Breakdown of financial instruments by maturity

(in € thousands)	31.12.2019				31.12.2018			
	<= 1 year	1 to 5 years	> 5 years	Total	<= 1 year	1 to 5 years	> 5 years	Total
FUTURES AND FORWARDS	26,600,897	41,361,111	29,046,174	97,008,182	19,184,578	27,896,584	30,720,271	77,801,433
Interest rate futures	1,008,334			1,008,334	1,788,288	174,672		1,962,961
Index futures								
Interest rate swaps	19,124,392	40,442,307	28,937,159	88,503,858	10,253,963	26,677,367	30,660,295	67,591,624
FRA								
Other contracts	6,468,170	918,804	109,015	7,495,990	7,142,327	1,044,545	59,976	8,246,848
OPTIONS	1,100,550	17,346,602	4,172,572	22,619,725	1,828,820	7,819,785	1,043,987	10,692,592
Caps, floors	900,500	13,289,646	4,119,178	18,309,324	1,422,700	5,931,588	958,910	8,313,198
Swaptions	30,000	280,000		310,000	30,000	90,000		120,000
Currency options								
Credit derivatives		3,709,663		3,709,663		1,798,197		1,798,197
Other options	170,050	67,294	53,394	290,738	376,120		85,077	461,197

2.22.1 Credit risk

(in € thousands)	Gross performing outstandings	Gross doubtful outstandings	Gross non-performing outstandings	Gross 31.12.2019	Gross 31.12.2018
Receivables due from credit institutions	91,317,310			91,317,310	106,657,390
Receivables due from customers	88,654,005	341,463	443,759	89,439,227	73,898,408
<i>of which current accounts in debit</i>	580,778	9,662	61,033	651,472	771,382
<i>of which loans to financial customers</i>	347,545	47		347,592	343,639
<i>of which short-term credit facilities</i>	1,101	2,097	366	3,565	4,814
<i>of which home loans</i>	57,978,981	234,997	369,413	58,583,391	55,344,779
<i>of which loans to legal entities</i>	14,530,347	93,719	1,724	14,625,790	10,309,567
<i>of which loans to the local public sector</i>	8,327,491	868		8,328,360	7,053,804
<i>of which export credits</i>					
<i>of which other credit</i>		73	11,223	11,296	38,863
Portfolio of fixed-income securities ⁽¹⁾	24,008,264			24,008,264	21,716,190
Government paper	29,219,811			29,219,811	25,797,097
Financing commitments and guarantee contracts	31,503,664	15,657	12,890	31,532,211	30,232,204
TOTAL	264,703,053	357,121	456,649	265,516,823	258,301,289

(1) Excluding government paper.

2.22.2 Provisions for counterparty risks

(in € thousands)	31.12.2018	Allocations	Reversals	Other changes	31.12.2019
Loans and receivables due from credit institutions and similar					
Receivables due from customers	349,572	448,915	(413,653)	-	384,834
<i>of which current accounts in debit</i>	67,876	58,003	(65,266)		60,614
<i>of which loans to financial customers</i>	919	1,421	(919)		1,421
<i>of which short-term credit facilities</i>	1,558	2,588	(2,096)		2,050
<i>of which home loans</i>	230,400	294,521	(291,697)		233,224
<i>of which loans to legal entities</i>	9,878	92,034	(25,985)		75,928
<i>of which loans to the local public sector</i>	86	347	(59)		374
<i>of which export credits</i>	-				-
<i>of which other credit</i>	38,855	-	(27,632)		11,223
Other assets	11,246	17,194	(4,520)		23,920
Held-for-sale portfolio (fixed-income securities)					
Investment portfolio					
<i>Total fixed-income securities</i>					
Total impairment charges deducted from assets⁽¹⁾	360,817	466,109	(418,174)	-	408,752
Execution risks on signed commitments					-
Other provisions for counterparty risk					-
Provisions for guarantee contracts	7,893	17,001	(21,223)		3,670
Provisions for financing commitments	22,113	17,505	(27,276)		12,343
Provisions recorded under liabilities	30,006	34,506	(48,499)	-	16,013
TOTAL IMPAIRMENTS FOR COUNTERPARTY RISKS	390,823	500,615	(466,673)	-	424,765
(1) Including impairment deducted from assets					
Gross performing outstandings	67,471	123,420	(98,210)		92,681
Gross doubtful outstandings	59,175	158,817	(110,003)		107,988
Gross non-performing outstandings	234,171	183,590	(209,677)		208,083

3 NOTE TO THE INCOME STATEMENT**3.1 Interest from cash and interbank transactions**

(in € thousands)	31.12.2019	31.12.2018
Interest on current accounts in debit	2,499	4,591
Interest on accounts and loans	1,167,968	1,160,058
Negative interest on sight and term borrowings	3,413	3,397
Interest on borrowed securities	-	-
Interest on securities received under repurchase agreements	11,419	12,491
Negative interest on securities given under repurchase agreements	120,554	88,719
Interest and similar income	15	2,397
INTEREST AND SIMILAR INCOME FROM CASH AND INTERBANK TRANSACTIONS	1,305,869	1,271,655
Interest on current accounts in credit	(4,597)	(2,990)
Interest on sight and term borrowings	(128,996)	(110,048)
Negative interest on accounts and loans	(64,478)	(73,112)
Interest on securities given under repurchase agreements	(2,880)	(586)
Negative interest on securities received under repurchase agreements	(12,613)	(4,128)
Other interest and similar expenses	(71)	(1,605)
INTEREST AND SIMILAR EXPENSES FROM CASH AND INTERBANK TRANSACTIONS	(213,635)	(192,470)

Interest income on accounts and loans includes the income from funds centralised with the Caisse des dépôts et consignations (CDC).

This income includes the interest paid to depositors shown under “Interest and similar expenses due to customers” and the additional income received by La Banque Postale.

3.2 Interest on customer transactions

(in € thousands)	31.12.2019	31.12.2018
Interest on current accounts in debit	36,433	40,804
Interest on trade receivables and customer loans	-	-
Interest on short-term credit facilities	36,481	16,411
Interest on equipment loans	85,895	60,609
Interest on home loans	1,077,767	1,089,908
Other interest	71,604	81,371
Interest on other loans and borrowed securities	3	0
Negative interest on term accounts in credit, borrowings and securities loaned	4,318	3,192
Interest on securities received under repurchase agreements	148	0
Negative interest on securities given under repurchase agreements	12,598	14,413
Other interest and similar income ⁽¹⁾	92,496	46,244
Doubtful interest	27,558	22,537
INTEREST AND SIMILAR INCOME FROM CUSTOMER TRANSACTIONS	1,445,302	1,375,490
Interest on current accounts in credit	(19,545)	(20,331)
Interest on term accounts in credit, borrowings and securities loaned	(5,347)	(6,128)
Interest on securities given under repurchase agreements	-	-
Negative interest on securities received under repurchase agreements	(9,535)	(5)
Interest on special savings accounts	(1,333,591)	(1,344,007)
Other interest and similar expenses	-	-
INTEREST AND SIMILAR EXPENSES ON CUSTOMER TRANSACTIONS	(1,368,018)	(1,370,471)

(1) Including €68,600 thousand corresponding to the reversal of the provision for home savings in 2019 vs. €41,600 thousand in 2018.

3.3 Interest on fixed-income securities

(in € thousands)	31.12.2019	31.12.2018
Interest and similar income on held-for-sale securities	253,316	200,532
Interest and similar income on investment securities	531,469	576,964
Interest and similar income	166,232	133,413
INTEREST AND SIMILAR INCOME ON BONDS AND OTHER FIXED-INCOME SECURITIES	951,016	910,909
Interest on negotiable certificates of deposit and negotiable medium-term bills	(68,111)	(42,994)
Interest and expenses on bond borrowings	(55,840)	(31,935)
Other interest expenses	(161,313)	(105,055)
Interest on subordinated debt	(127,104)	(161,868)
INTEREST AND SIMILAR EXPENSES ON BONDS AND OTHER FIXED-INCOME SECURITIES	(412,368)	(341,851)

3.4 Other interest and similar

(in € thousands)	31.12.2019	31.12.2018
Income from foreign exchange instruments	-	-
Income from interest rate instruments	209,555	266,929
OTHER INTEREST AND SIMILAR INCOME	209,555	266,929
Expenses on foreign exchange instruments	-	-
Expenses on interest rate instruments	(47,653)	(79,753)
OTHER INTEREST AND SIMILAR EXPENSES	(47,653)	(79,753)

3.5 Income from variable-income securities

(in € thousands)	31.12.2019	31.12.2018
Income from equities and other variable-income securities	16,888	6,205
Income from portfolio securities	3,796	12,754
Income from equity holdings	232,208	225,986
INCOME FROM VARIABLE-INCOME SECURITIES	252,892	244,946

3.6 Commissions

(in € thousands)	31.12.2019		31.12.2018	
	Income	Expenses	Income	Expenses
Cash and interbank transactions	56,110	(4,570)	85,850	(3,204)
Customer transactions	799,330	(56,805)	861,502	(58,026)
Securities transactions	-	(5,337)	-	(4,762)
Derivatives transactions	-	(446)	-	(297)
Provision of financial services	1,575,556	(200,232)	1,581,234	(193,628)
Foreign exchange transactions	-	-	-	-
Other commissions	40,487	-	42,977	-
COMMISSIONS	2,471,483	(267,390)	2,571,563	(259,917)

3.7 Gains or losses on trading portfolio transactions

(in € thousands)	31.12.2019	31.12.2018
Gain (loss) on trading securities transactions	(3,536)	(12,947)
Gain (loss) on foreign exchange instrument transactions	(2,432)	124,670
Gain (loss) on derivatives transactions	(206,719)	(34,134)
GAINS OR LOSSES ON TRADING PORTFOLIO TRANSACTIONS	(212,687)	77,588

3.8 Gains or losses on held-for-sale portfolio transactions

(in € thousands)	31.12.2019	31.12.2018
Gain (loss) on the disposal of held-for-sale securities	171,300	180,666
Other income and expenses on held-for-sale securities	-	-
Impairment/reversals of impairment on held-for-sale securities and gains (losses) on related hedging transactions	135,558	(150,152)
Gains or losses on held-for-sale securities transactions	306,859	30,514
Gain (loss) on the disposal of portfolio securities	0	-
Impairment/reversals of impairment on portfolio securities	(489)	(2,465)
Gains or losses on portfolio securities transactions	(489)	(2,465)
GAINS OR LOSSES ON HELD-FOR-SALE PORTFOLIO TRANSACTIONS AND SIMILAR	306,369	28,049

3.9 Other banking operating income and expenses

(in € thousands)	31.12.2019		31.12.2018	
	Income	Expenses	Income	Expenses
Re-invoiced expenses, retrocession of income, and transfers of expenses	24,686	-	27,172	-
Other operating income and expenses	10,069	(50,185)	7,487	(50,091)
Provisions/reversals on other operating income and expenses	13,121	(9,297)	50,455	(13,393)
Other operating banking income and expenses	47,875	(59,483)	85,114	(63,484)
NET BANKING OPERATING INCOME AND EXPENSE	(11,607)		21,631	

3.10 Personnel costs

(in € thousands)	31.12.2019	31.12.2018
Wages and salaries	(238,965)	(220,777)
Pensions	(15,308)	(23,867)
Social security contributions	(97,847)	(86,081)
Incentives and profit sharing	(14,834)	(7,686)
Tax, duties and similar payments on employee compensation	(29,079)	(28,250)
Other expenses	(14,485)	(10,868)
PERSONNEL COSTS	(410,517)	(377,530)
Amount of attendance fees paid to directors	421	375

Compensation paid during the year to members of the Executive Board for the financial year amounted to €1,857 thousand.

None of the Executive Board members receive supplementary retirement benefits.

No other transaction was concluded with members of the Board under conditions other than the present.

3.11 Headcount

	31.12.2019	31.12.2018
Civil servant staff	501	514
Non-civil servant staff	2,682	2,493
TOTAL HEADCOUNT⁽¹⁾	3,182	3,007
Executives	2,822	2,677
Non-executives	361	330
TOTAL HEADCOUNT⁽¹⁾	3,182	3,007

(1) Headcount expressed in man-years at year-end.

3.12 Other general operating expenses

(in € thousands)	31.12.2019	31.12.2018
Duties and taxes	(21,879)	(22,195)
Lease payments	-	-
Rents and rental expenses	(114,390)	(109,657)
Fees	(165,006)	(136,876)
Other operating expenses ⁽¹⁾	(3,451,033)	(3,482,252)
OTHER GENERAL OPERATING EXPENSES	(3,752,308)	(3,750,981)

(1) This item notably includes expenses related to the service agreements between La Poste and La Banque Postale for €2,790,253 thousand.

3.13 Re-invoicing

(in € thousands)	31.12.2019	31.12.2018
Personnel costs re-invoiced on a euro for euro basis ⁽¹⁾	35,515	26,072
General expenses excluding personnel costs re-invoiced on a euro for euro basis	102,948	84,184
RE-INVOICING	138,463	110,256

(1) Including the re-invoicing to La Poste of €4,545 thousand for staff belonging to the two companies.

3.14 Depreciation, amortisation and impairment

(in € thousands)	31.12.2019	31.12.2018
Depreciation and amortisation of operating assets	(167,607)	(157,062)
<i>of which depreciation of tangible operating assets</i>	<i>(53,154)</i>	<i>(51,439)</i>
<i>of which amortisation of intangible operating assets</i>	<i>(114,453)</i>	<i>(105,623)</i>
Reversals of depreciation and amortisation of operating assets	-	-
Net depreciation and amortisation	(167,607)	(157,062)
Impairment of operating assets	-	-
Reversals of impairment charges on operating assets	-	-
Net impairment charges	-	-
NET DEPRECIATION, AMORTISATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE FIXED ASSETS	(167,607)	(157,062)

3.15 Cost of risk

(in € thousands)	31.12.2019	31.12.2018
Impairments on		
Customers and credit institutions	(490,274)	(591,974)
Signed commitments	-	-
Sundry debtors	(6,252)	(1,711)
Impairment charges	(496,526)	(593,684)
Reversals of impairment charges on		
Customers and credit institutions	462,247	512,341
Signed commitments	-	-
Sundry debtors	3,786	1,450
Reversals of impairments	466,032	513,791
Losses and recoveries		
Losses on signed commitments	-	-
Credit losses covered by impairment	(54,261)	(56,386)
Credit losses not covered by impairment	(19,601)	(19,712)
Amounts recovered on amortised receivables	4,339	4,926
Losses and recoveries	(69,523)	(71,172)
COST OF RISK	(100,016)	(151,065)

Changes in impairment charges relating to a counterparty risk are described in Note 2.22.2.

3.16 Gains or losses on fixed assets

(in € thousands)	31.12.2019	31.12.2018
Gains or losses on disposals of tangible assets	(105)	(309)
Gains or losses on disposals of intangible assets	(6)	(6)
Gains or losses on the disposal of tangible and intangible assets	(111)	(315)
Gains or losses on disposals of investment securities and other long-term securities	321,573	-
Impairment/reversals of impairment	(8,699)	(17,601)
Gains or losses on the disposal of investment securities and other long-term securities	(8,699)	(17,601)
Gains or losses on transactions involving held-for-sale and other long-term securities	312,874	(17,601)
GAINS OR LOSSES ON FIXED ASSETS	312,763	(17,916)

3.17 Income tax

(in € thousands)	31.12.2019	31.12.2018
Corporate income tax	(140,977)	(5,108)
INCOME TAX EXPENSE	(140,977)	(5,108)
Losses carried forward	-	-

NOTE 4

INFORMATION ON THE AUDIT OF THE FINANCIAL STATEMENTS

2019

(Non-recoverable tax amounts, in thousands of euros)	La Banque Postale's statutory auditors			
	PricewaterhouseCoopers Audit		KPMG	
	Amount	%	Amount	%
Statutory auditors, review of the company and consolidated financial statements	597	94%	600	81%
Services other than account certification (1)	40	6%	141	19%
TOTAL	637	100%	742	100%

(1) Comfort letter regarding the updating of the Prospect Database for the issue programme of La Banque Postale SA. (March 2018) and three comfort letters regarding emissions (April 2019, July 2019 and November 2019).

NOTE 5

INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

All transactions carried out by La Banque Postale with related parties were concluded in normal market conditions.

NOTE 6

DETAIL OF BUSINESS LOCATIONS IN NON-COOPERATIVE TERRITORIES

La Banque Postale does not have business or any locations in fiscally non-cooperative territories in application of Article 238-0 A of the General Tax Code.

NOTE 7

**INFORMATION CONCERNING THE SUBSIDIARIES
AND EQUITY STAKES HELD BY LA BANQUE POSTALE
AS AT 31 DECEMBER 2019**

(in € thousands)	SF2 ⁽¹⁾	SCI Tertiaire Saint Romain ⁽²⁾	SCI CRSF METRO- POLE ⁽³⁾	SCI CRSF DOM ⁽⁴⁾	BPE ⁽⁵⁾	LBP Home Loan SFH ⁽⁶⁾	Ma French Bank ⁽⁷⁾
Siren number	424,176,238	478,301,286	445,061,369	445,047,442	384,282,968	522,047,570	828,624,759
Share capital	1,053,574	64,002	256,412	2,333	102,411	210,000	228,000
Reserves and retained earnings before appropriation of net income	536,238	4,268	24,117	596	28,142	2,205	(11,853)
Share of capital held (%)	100%	99.99%	99.99%	99.94%	100%	100%	99.99%
Carrying amount of securities held							
► Gross	1,143,909	117,000	256,392	2,332	157,626	210,004	228,000
► Net	1,143,909	117,000	256,392	2,332	157,626	210,004	228,000
Loans and advances granted by the Company and not yet repaid	-	49,977	-	-	2,761,844	25,000	-
Amount of sureties and guarantees given by the Company	-	-	-	-	62,192	15,784,098	-
Revenues* excluding tax for the previous financial year	191	13,860	42,676	589	98,117	4,122	(2)
Net income or loss for the last financial year	194,917	4,276	10,934	(851)	14,271	1,923	(11,849)
Dividends received by the Company in the previous financial year	181,442	-	10,948	-	13,480	-	-
Notes	Holding company	Real estate rental company	Real estate rental company	Real estate rental company	Bank	Financial services advisory company	Bank

This chart only shows the companies with a book value above €2 million (lower threshold of 1% of La Banque Postale's capital)

(1) 115, rue de Sèvres 75275 PARIS Cedex 06.

(2) 35-39, boulevard Romain Rolland 75014 PARIS.

(3) 115, rue de Sèvres 75275 PARIS Cedex 06.

(4) 115, rue de Sèvres 75275 PARIS Cedex 06.

(5) 62 rue du Louvre, 75002 PARIS.

(6) 115, rue de Sèvres 75275 PARIS Cedex 06.

(7) 115, rue de Sèvres 75275 PARIS Cedex 06.

* Depending on the subsidiary's business, revenue is presented if it is a trading company, and net banking income is presented if it is a bank or financial company.

Domiserve⁽⁸⁾	La Banque Postale Leasing & Factoring⁽⁹⁾	SOFIAP⁽¹⁰⁾	Ezyness⁽¹¹⁾	LBP Prévoyance⁽¹²⁾	KissKiss BankBank⁽¹³⁾	TRANSACTIS⁽¹⁴⁾	LBP Financement⁽¹⁵⁾
797,829,983	514,613,207	391,844,214	522,058,544	419,901,269	512,211,004	479,874,257	487,779,035
50	220,000	60,138	5,200	5,202	5	4,948	2,200
977	(8,193)	30,600	(4,140)	265,868	4,520	18	708,615
100%	100.00%	66.00%	100.00%	50.00%	100.00%	50.00%	35.00%
15,000	220,000	37,754	11,200	291,635	44,600	11,574	376,000
15,000	220,000	37,754	-	291,635	29,500	11,574	376,000
-	10,542,907	2,248,562	-	2	5,009	11,875	5,539,705
-	4,045,779	148,811	-	-	-	-	-
1,044	49,956	20,803	71	537,833	2,672	127,208	265,077
197	13,064	1,843	(3,602)	65,297	(2,358)	43	83,553
-	0	0	0	26,119	0	0	0
Universal Personal Service Cheques	Financial company	Financial company	Financial services advisory company	Insurance company	Collaborative financing company	Financial services -Holding company	Loan distribution activity

(8) 106 avenue Marx Dormoy 92120 Montrouge.

(9) 115 rue de Sèvres, 75275 Paris Cedex 06, France.

(10) 7 r Pierre Levée 75011 PARIS.

(11) 115, rue de Sèvres 75275 PARIS Cedex 06.

(12) 10 Place de Catalogne 75014 PARIS.

(13) 34 rue de Paradis 75010 PARIS.

(14) 33, places des Corolles – Tour Europe La Défense II – 92400 Courbevoie.

(15) 1 – 3 avenue François Mitterand 93200 Saint Denis.

NOTE 8

LA BANQUE POSTALE – FIVE-YEAR EARNINGS TABLE

(in euros)	2015	2016	2017	2018	2019
FINANCIAL CONDITION					
Share capital	4,046,407,595	4,046,407,595	4,046,407,595	4,046,407,595	4,631,654,325
Number of shares	35,186,153	35,186,153	35,186,153	35,186,153	40,275,255
COMPREHENSIVE INCOME					
Revenue*	7,378,305,936	7,110,660,813	7,284,155,033	6,909,831,901	6,564,988,235
Income before corporate tax, depreciation, amortisation and net provisions	960,973,920	630,611,923	755,347,375	550,101,422	508,222,820
Income tax	(258,926,682)	(76,357,888)	(187,745,716)	(5,107,654)	(140,976,863)
Income after corporate tax, depreciation, amortisation and provisions	478,260,808	564,066,406	553,183,004	124,893,058	288,928,951
Distributed income (proposed)	318,082,823	312,101,177	343,768,715	326,527,500	351,200,224
EARNINGS PER SHARE					
Income after corporate tax, before depreciation, amortisation and provisions	19.95	15.72	15.72	15.49	9.12
Income after corporate tax, depreciation, amortisation and provisions	13.59	16.03	15.72	3.55	7.17
Distributed income (proposed)	9.04	8.87	9.77	9.28	8.72
EMPLOYEE DATA					
Average headcount	2,473	2,526	2,713	2,957	3,169
Payroll expenses	161,840,302	163,848,588	176,181,220	196,013,751	212,626,297
Amounts paid for employee benefits (Social Security, social welfare organisations, etc.)	82,518,567	89,710,337	94,860,267	96,949,126	112,332,165

* This is all the banking operating income (profits or losses from financial transactions are taken at their net amount).

5.5 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Financial year ended on 31 December 2019

To the General Meeting of Shareholders

La Banque Postale S.A.

115, rue de Sèvres

CP S202

75275 PARIS Cedex 06

Opinion

In execution of the mission entrusted to us by your general meeting, we have audited the consolidated financial statements of the La Banque Postale SA for the year ended 31 December 2019, as attached to this report.

We certify that the annual financial statements, in accordance with French accounting rules and principles, give a true and fair view of the financial position and assets and liabilities of the Company and of the results of its operations at the end of this financial year.

The opinion formulated above is consistent with the content of our report to the Accounts Committee.

5

Basis of Opinion

References of the Audit

We have conducted our audit in accordance with the generally accepted auditing standards in France. We consider that the evidence gathered is pertinent and sufficient to serve as a basis for our opinion.

Our responsibilities under these standards are set out in the "Responsibilities of the statutory auditors for the Auditing of the Annual Financial Statements" section of this report.

Independence

We carried out our audit mission in accordance with the rules of independence applicable to us, as of 1 January 2019 to the date of issue of our report, and in particular we did not provide services prohibited by Article 5 (1) of EU Regulation No. 537/2014 or the code of ethics for statutory auditors.

Justification of the assessments - Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatements which, in our professional judgement, were the most significant for the audit of the annual financial statements for the year, as well as the responses we provided to these risks.

The assessments were made over the course of our audit of the annual financial statements, taken as a whole, and therefore contributed to forming the opinion expressed in the first part of this report. We do not express an opinion on items in these annual financial statements on an isolated basis.

Provisions for the credit risks of legal entities

Risk identified

La Banque Postale sets aside provisions to cover the proven risks of losses resulting from the inability of its legal entity customers to meet their financial commitments. The exposures concerned cover non-doubtful outstandings and commitments for which the credit risk has deteriorated significantly since they were granted as well as doubtful receivables and commitments.

Provisions for impairment and for risks are determined on an individual basis based on internal or external scores with which are associated the probability of failure and losses in the event of failure or on the opinion of experts, taking into account the value of the guarantees held.

The valuation of credit risk provisions on outstanding loans and customer commitments requires the exercise of judgement for the identification of exposures presenting a risk of non-recovery, as well as for the determination of future recoverable cash flows and recovery deadlines.

Given the importance of judgement in downgrading outstandings (sensitive and doubtful) and for determining provisions, we considered that the estimate of expected losses on loans to legal entities was a key point of our audit.

As at 31 December 2019, gross outstanding loans to legal entities amounted to €14.6 billion overall, of which €95.4 million in gross doubtful outstandings, and the associated provisions represented €75.9 million as indicated in points 2.23.1 and 2.23.2 of the notes to the annual financial statements. The principles followed for the provisioning of credit risk are described in Paragraph 2 "Receivables due from credit institutions and customers – Signed commitments" of note 1 "Accounting principles and methods" of the notes to the annual financial statements.

Our answer

We studied the internal control system put in place by the bank to identify sensitive or doubtful receivables and commitments and to evaluate the amount of impairment and provisions.

We tested the effectiveness of the controls considered key for our audit, implemented by the bank for the identification of the sensitive outstanding debts, the classification as doubtful, the evaluation of the value of the guarantees received, the correct processing of the data in business IT tools and their apportionment in accounting.

We also took note of the main conclusions of the specialised committees in charge of monitoring these loans and verified, using a sample of files, that they were correctly accounted for in estimating the provisions. We independently assessed the level of provisions determined by the bank on a sampling of files. We also examined the monitoring procedures used for files classified as "to watch" and the associated risk assessment procedures.

Lastly, we analysed the change in sensitive and doubtful outstandings over the year and that of their coverage by impairment.

Specific verifications

We have also carried out the specific verifications required by the legal and regulatory texts, in accordance with the professional auditing standards applicable in France.

Information provided in the management report and the other documents addressed to the shareholders regarding the financial position and annual financial statements

We have no comment as to the fair presentation and consistency with the annual financial statements of the information given in the management report of the Executive Board and in the other documents sent to unitholders with regards to the financial position and the annual financial statements, with the exception of the point below.

The fair presentation and consistency with the annual financial statements and the information on payment deadlines described in Article D. 441-4 of the French Commercial Code led us to the following observation:

As indicated in the management report, the information does not include bank and related transactions as your Company does not consider that they fall within the scope of information to be produced.

Report on corporate governance

We certify the existence, in the Supervisory Board's report on corporate governance, of the information required in Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

With respect to the information provided in application of Article L. 225-37-3 of the French Commercial Code on the compensation and benefits paid or allocated to corporate officers and the commitments made in their favour, we verified their consistency with the financial statements and with the data used to prepare the financial statements and, where applicable, with the information collected by your Company from the companies that control your Company or which it controls. Based on this work, we certify the accuracy and truthfulness of the information.

Information resulting from other legal or regulatory requirements

Appointment of statutory auditors

We were appointed statutory auditors of La Banque Postale SA by your ordinary and extraordinary general meetings of shareholders of 28 April 2004 for PricewaterhouseCoopers Audit and 27 May 2010 for KPMG S.A.

At 31 December 2019, KPMG S.A was in the tenth year of its assignment without interruption and PricewaterhouseCoopers Audit in its sixteenth year.

Responsibilities of management and corporate governance officers in the annual financial statements

Management is responsible for the preparation and fair presentation of these annual financial statements in accordance with French accounting rules and for implementing such internal control as it determines to be necessary to enable the preparation of annual financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for evaluating the ability of the Company to continue as a going concern, to present in these accounts, as appropriate, the necessary information relating to the continuity of operations and apply the going concern accounting policy unless it is intended to liquidate the Company or cease trading.

The Accounts Committee is responsible for following the process of preparing financial information and for monitoring the effectiveness of the internal control and risk management systems and, where applicable, internal audit, as regards procedures relating to the preparation and processing of accounting and financial information.

The annual financial statements were approved by the Executive Board.

5

Responsibilities of the statutory auditors in relation to the annual financial statements

Audit objective and approach

It is our responsibility to prepare a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements taken as a whole do not contain any material misstatements. Reasonable assurance corresponds to a high level of assurance, but does not guarantee that an audit performed in accordance with the standards of professional practice can systematically detect any significant anomaly. Anomalies may arise from fraud or error and are considered significant where it can reasonably be expected that they, taken individually or cumulatively, may influence the economic decisions that account users make in their business based on such anomalies.

As specified by Article L. 823-10-1 of the French Commercial Code, our mission of certification of accounts is not to guarantee the viability or the quality of the management of your Company.

As part of an audit conducted in accordance with the professional standards applicable in France, the statutory auditor exercises professional judgement throughout this audit. In addition:

- ▶ they identify and assess the risks that the annual financial statements contain material misstatements, whether due to fraud or error, define and implement audit procedures to address these risks, and collect items considered sufficient and appropriate to base an opinion. The risk of not detecting a significant anomaly from fraud is higher than that of a significant anomaly resulting from an error, as the fraud may involve collusion, falsification, voluntary omissions, misrepresentation or circumventing internal control;
- ▶ the statutory auditor becomes aware of the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, and not to express an opinion on the effectiveness of the internal control;
- ▶ assess the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by management, as well as the information concerning them provided in the annual financial statements;
- ▶ they assess the appropriateness of management's application of the going concern accounting policy and, depending on the evidence gathered, the existence or otherwise of significant uncertainty related to events or circumstances likely to jeopardise the Company's ability to continue as a going concern. This assessment is based on the information gathered up to the date of the report, but it is recalled that subsequent circumstances or events could jeopardise the continuity of operations. If the statutory auditor concludes that there is significant uncertainty, they draw the attention of the readers of the report to the information provided in the annual financial statements about this uncertainty or, if this information is not provided or is not relevant, they formulate a qualified certification or a refusal to certify;
- ▶ they assess the overall presentation of the annual financial statements and assess whether the annual financial statements reflect the underlying transactions and events in such a way as to give a true and fair view of them.

Report to the Accounts Committee

We submit a report to the Accounts Committee, which notably outlines the scope of the audit work and the work programme implemented, as well as the conclusions arising from our work. We also disclose, where appropriate, the significant weaknesses of internal control that we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the items disclosed in the report to the Accounts Committee are the risks of material misstatement that we consider to have been the most significant for the audit of the annual financial statements for the year and which therefore constitute the key points of the audit, which is our responsibility to describe in this report.

We also provide the Accounts Committee with the declaration provided for in Article 6 of EU Regulation no. 537-2014 confirming our independence within the meaning of the rules applicable in France as laid down in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the code of ethics for statutory auditors. If necessary, we will discuss with the Accounts Committee risks related to our independence and the safeguards applied.

Neuilly-sur-Seine and Paris La Défense, 6 March 2020

The statutory auditors

PricewaterhouseCoopers Audit

Jacques Lévi
Partner

KPMG S.A.

Marie-Christine Jolys
Partner

SUMMARY *PRO FORMA* FINANCIAL INFORMATION

5bis

31 December 2019 annual statement

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5bis.1 DESCRIPTION OF THE TRANSACTION

On 30 August 2018, the State and the Caisse des Dépôts announced their intent to create a large public financial unit to serve the regions by establishing a La Banque Postale/CNP Assurances public bank insurance unit. In creating this public financial unit, shares were exchanged and transferred on 4 March 2020 between the French State, the Caisse des Dépôts, La Poste and

La Banque Postale, with stakes from the State and the Caisse des Dépôts to La Poste, then the latter to La Banque Postale, respectively 1.1% and 40.9%, in the capital of CNP Assurances (together the “Transactions”). Once these transactions were completed, La Banque Postale held a 62.13% stake in CNP Assurances.

5bis.2 PRINCIPLES OF PRESENTATION OF THE SUMMARY PRO FORMA FINANCIAL INFORMATION

5bis.2.1 Objectives of the summary pro forma financial information

The summary *pro forma* financial information presented is intended to illustrate, for information purposes only, the effects of the Transactions on La Banque Postale's income statement and balance sheet for the financial period ended on 31 December 2019,

as if the Transactions had occurred on 1 January 2019 for the summary *pro forma* income statement and on 31 December 2019 for the summary *pro forma* balance sheet.

5bis.2.2 Regulatory basis

The summary *pro forma* financial information is prepared in accordance with Note 20 of Delegated Regulation no. 2019/980 completing European Regulation no. 2017/1129. It includes the recommendations issued by ESMA (ESMA/2013/319 of 20 March 2013) and AMF recommendation no. 2013-08 regarding consolidated *pro forma* financial information amended on 21 July 2019.

The summary *pro forma* financial information was stated via AMF Recommendation no. 2013-08, particularly Paragraph 1.3.3. “The purchase of additional shares in a company of the Group”, excerpted below: “when an issuer takes an additional stake in another entity, this transaction can lead them to necessarily

change the consolidation method applicable to this entity, for instance from the equity to the full consolidation method. To the extent that this additional stake produces similar effects to those of a new acquisition by significantly impacting certain items on the financial statement, after analysis of the 25% threshold, the AMF recommends that such a transaction result in the production of a *pro forma* notice.”

The transactions involve a change in excess of 25% of the main aggregates of La Banque Postale considered to be the accounting acquirer in accordance with the provisions of IFRS 3 – Business Combinations.

5bis.2.3 Setup assumptions

The summary *pro forma* financial information as at 31 December 2019 presented in this chapter was prepared using the annual consolidated financial statements for the financial year ended on 31 December 2019 of La Banque Postale Group and the CNP Assurances group, certified by the statutory auditors. The basis for the preparation of the summary *pro forma* financial information is as follows:

- ▶ the summary *pro forma* financial information was prepared in accordance with the accounting methods used to prepare the consolidated annual financial statements for La Banque Postale's financial year ended on 31 December 2019;
- ▶ full consolidation of CNP Assurances on 1 January 2019 for the *pro forma* income statement and on 31 December 2019 for the *pro forma* balance sheet (i.e. 12 months of consolidation);

- ▶ presentation of the summary *pro forma* financial information in bank format, based on the publication format used by La Banque Postale for its financial statements;
- ▶ the CNP Assurances balance sheet used to prepare the summary *pro forma* financial information corresponds to the consolidated balance sheet as at 31 December 2019 published in IAS 39 data and transposed to IFRS 9 bank format. The main impact of the transposition on the balance sheet involves the classification of the UCITS and equity instruments at fair value through profit and loss;
- ▶ similarly, the income statement retained to draft the summary *pro forma* information corresponds to the consolidated income statement as at 31 December 2019 published by CNP Assurances, transposed into bank format. In terms of the impact of IFRS 9 on the income statement, the flows associated with the financial instruments were reclassified and recorded using the overlay approach provided for by the standard

applied by La Banque Postale to prepare its consolidated financial statements (the overlay approach allows for the reclassification of the profit and loss volatility introduced by IFRS 9 as equity). The income statement excludes losses expected pursuant to credit risk in the investment portfolio of the CNP Assurances group which are immaterial after taking into account deferred participating income and taxes;

- ▶ the intragroup transactions were eliminated in accordance with the rules applied for the preparation of La Banque Postale Group's consolidated financial statements. They primarily involve balances and flows related to commissions, re-invoicing and reinsurance transactions between CNP Assurances and La Banque Postale Group entities;
- ▶ given the information available to date, there was no temporary allocation of the acquisition price in line with IFRS 3 – Business

Combinations for the needs of the summary *pro forma* financial information. When the transactions are considered to be a business combination, the latter requires that identifiable assets acquired and the liabilities assumed be valued at their fair value on the acquisition date. This financial year is currently in progress. In the absence of a revaluation at fair value, the difference between the acquisition price and the carrying amount of the assets acquired and the liabilities assumed appears in equity. This *pro forma* adjustment, calculated based on the financial data as at 31 December 2019, is temporary in nature;

- ▶ the aggregate data presented in this chapter are deemed to be pertinent indicators to understand the new group.

5bis.3 SUMMARY PRO FORMA FINANCIAL INFORMATION

5bis.3.1 Summary pro forma income statement

(in € millions)	La Banque Postale	CNP Assurances	Pro forma adjustments	Summary pro forma financial information at 31 December 2019
	published 31 December 2019	31 December 2019 restated IFRS 9		
NBI	5,647	3,583		9,231
General operating expenses and net depreciation and amortisation and impairment of tangible and intangible fixed assets	(4,692)	(1,068)		(5,760)
Gross operating income	955	2,516		3,471
Cost of risk	(178)	(0)		(179)
Operating income	777	2,515		3,292

The *pro forma* net banking income of La Banque Postale in 2019, determined by fully consolidating CNP Assurances for 12 months, was €9,231 million.

On this basis, the allocation of the NBI on a *pro forma* basis would be:

- ▶ Retail Banking 57%;
- ▶ Insurance unit 42%;
- ▶ Asset management unit 2%.

Retail Banking **operating income** was €3,292 million.

5bis.3.2 Summary *pro forma* balance sheet

Assets (in € millions)	La Banque Postale published 31 December 2019	CNP Assurances 31 December 2019 restated IFRS 9	Pro forma adjustments	Summary <i>pro forma</i> financial information at 31 December 2019
Cash, central banks	22,412	0		22,413
Financial assets at fair value through profit or loss	10,905	178,475		189,380
Hedging derivatives	1,488			1,488
Financial assets at fair value through equity	15,059	222,047		237,106
Financial assets valued at amortised cost	212,331	2,045		214,376
Revaluation differences on interest rate risk hedged portfolios	207			207
Investments of the insurance activities and reinsurers' share of technical provisions	0			0
Tax assets, accruals and other assets	3,901	34,160	(271)	37,790
Interests in equity-accounted companies	3,592	488	(3,538)	542
Fixed assets and real estate investments	1,628	2,939		4,567
Goodwill	160	230	(230)	160
TOTAL ASSETS	271,683	440,385	(4,039)	708,030

The *pro forma* adjustments to assets correspond primarily to the elimination of intragroup transactions between La Banque Postale subsidiaries and CNP Assurances group, the derecognition of CNP Assurances group securities previously consolidated using the equity method, and the cancellation of the goodwill in the accounts of CNP Assurances group prior to the takeover.

Liabilities (in € millions)	La Banque Postale published 31 December 2019	CNP Assurances 31 December 2019 restated IFRS 9	Pro forma adjustments	Financial information summary <i>pro formas</i> at 31 December 2019
Financial liabilities at fair value through profit or loss	1,587	1,132		2,719
Hedging derivatives	591	19		610
Financial liabilities recognised at amortised cost	245,470	13,491		258,961
Revaluation differences on interest rate risk hedged portfolios	839			839
Tax liabilities, accruals and other liabilities	5,427	19,291	(140)	24,577
Insurance company underwriting provisions and shadow accounting	2,552	378,309	(131)	380,731
Provisions	337	575		912
Subordinated debt	3,097	6,381		9,478
Equity	11,783	21,188	(3,768)	29,203
Equity, Group share	11,707	19,393	(12,193)	18,907
Non-controlling interests	76	1,795	8,425	10,297
TOTAL LIABILITIES	271,683	440,385	(4,039)	708,030

The *pro forma* adjustments to liabilities consist primarily of the elimination of intragroup transactions between La Banque Postale subsidiaries and CNP Assurances group, the equity impact resulting from the change in the consolidation method used for CNP Assurances, and the increase in La Banque Postale's capital.

Pro forma group share book equity of La Banque Postale was €18,907 million.

5bis

5bis.4 STATUTORY AUDITORS' REPORT ON THE SUMMARY PRO FORMA FINANCIAL INFORMATION

La Banque Postale SA

Registered office: 115, rue de Sèvres – 75275 Paris Cedex 06, France

Share capital: € 6,585,350,218

Statutory auditors' report on the summary *pro forma* financial information for the financial year ended on 31 December 2019

To the Chairman of the Executive Board,

In our capacity as statutory auditors and in application of Regulation (EU) no. 2017/1129 completed by Delegated Regulation (EU) no. 2019/980, we prepared this report on the summary *pro forma* financial information of La Banque Postale SA (the "Company") for the financial year ended on 31 December 2019 included in Section 5 of the Universal Registration Document (the "Summary *pro forma* financial information").

The summary *pro forma* financial information was prepared for the sole purpose of illustrating the effect the contribution of the securities of CNP Assurances to La Banque Postale, carried out as part of the creation of a public bank and insurance unit, could have had on the La Banque Postale's consolidated balance sheet as at 31 December 2019 and on the consolidated income statement for the financial year ended on 31 December 2019 if the transaction had taken effect on 31 December 2019 for the balance sheet and on 1 January 2019 for the income statement. By its very nature, it describes a hypothetical situation and is not necessarily representative of the financial condition or performances that could have been observed if the transaction or the event had occurred at an earlier date than that on which it actually occurred.

The summary *pro forma* financial information was prepared under your responsibility in application of the provisions of Regulation (EU) no. 2017/1129 and the ESMA recommendations on *pro forma* financial information.

It is our duty, based on our work, to express an opinion, in the terms required by Annex 20, Section 3 of Delegated Regulation (EU) no. 2019/980 on the correctness of the preparation of the summary *pro forma* financial information with respect to the basis indicated.

We have performed the checks that we considered necessary, in light of the professional standards of the French National Institute of Statutory Auditors relating to this assignment. The checks, which do not include an audit or limited review of the underlying financial information used to prepare the summary *pro forma* financial information, consisted primarily in checking that the basis on which the summary *pro forma* financial information was prepared match the source documents as described in the explanatory notes of the summary *pro forma* financial information, in reviewing the supporting documents justifying the *pro forma* restatements and in meeting with the Company's management to collect the information and explanations we felt were required.

In our opinion:

- ▶ the summary *pro forma* financial information was correctly prepared on the basis indicated:
- ▶ the basis conforms to the accounting methods applied by the issuer.

This report has been issued for the sole purpose of filing the Universal Registration Document with the AMF and cannot be used for any other purpose.

Paris La Défense, 13 March 2020

Neuilly-sur-Seine, 13 March 2020

KPMG S.A.

Marie-Christine Jolys
Partner

PricewaterhouseCoopers Audit

Jacques Lévi
Partner

NON-FINANCIAL PERFORMANCE DECLARATION (DPEF) – CORPORATE SOCIAL RESPONSIBILITY (CSR)

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6.1 CSR ISSUES AND GOVERNANCE FOR LA BANQUE POSTALE

6.1.1 La Banque Postale's business model

6.1.1.1 La Banque Postale, a wholly-owned subsidiary of Le Groupe La Poste

A wholly-owned subsidiary of Le Groupe La Poste, La Banque Postale is a singularly unique bank that prioritises local presence, trust and modernity for the benefit of all. Its business is divided into three areas:

- ▶ Retail Banking, its core business, offering banking products and services to individual and corporate customers, social economy actors and local authorities;
- ▶ Insurance, undertaken by its life insurance, provident, property and casualty, and medical subsidiaries;
- ▶ Asset Management, provided by its asset management subsidiaries which offer savings and investment products to retail and business customers.

La Banque Postale inherited its values of trust, accessibility and local presence from Le Groupe La Poste, placing it in a unique and original position on the French market. This is reflected by an offer based on simple and affordable products designed to meet the needs of its customers.

Indeed, it is thanks to its subsidiary La Banque Postale that Le Groupe La Poste has been able to successfully perform the general interest mission for accessible banking entrusted to it by the legislator: "in banking, finance and insurance, La Poste offers products and services to as many people as possible, particularly the 'Livret A' account". La Banque Postale's Livret A account is the key feature underpinning this accessible banking mission, because it is not only universal nature, but also secure and easy to both access and use.

6.1.1.2 Relationship with Le Groupe La Poste

La Banque Postale is both a customer (of the Mail-Parcels-Services Branch and of the Distribution Network) and a supplier of Le Groupe La Poste, serving as its main bank. Le Groupe La Poste is also a service provider, supplying staff to La Banque Postale who act "in the name of and on behalf of" La Banque Postale. Counter services are provided by the post offices across La Poste's Distribution Network.

The relationship between La Banque Postale and La Poste is governed by a framework agreement which sets out the general principles and responsibilities of La Poste and La Banque Postale, together with 14 implementation agreements.

6.1.1.3 The multi-partner model

In order to broaden its business and skills portfolio, and in order to better meet customer requirements, La Banque Postale has a very proactive partnership policy that focuses primarily on the effective sharing of know-how and on cost control, in line with its core values.

La Banque Postale's multi-partner policy is based on the pooling of expertise, technology and tools, and on access to clientele. Through these partnerships, La Banque Postale has been able to rapidly develop new business lines, relying on the expertise of standard-setters in each field.

The model has been developed in particular using the resources of Le Groupe La Poste. La Banque Postale provides a network and sales force within the postal ecosystem. The partners, for their part, contribute their knowledge of their business and enable the Bank to grow and diversify rapidly. The partners and partnerships are described in detail in sections 1.4.1 Retail Banking, 1.4.2 Insurance and 1.4.3 Asset Management.

6.1.1.4 Value creation for all stakeholders

La Banque Postale mobilises its resources to create value for all of its stakeholders and to meet its goals:

- ▶ diversify its business and develop its customer base;
- ▶ build the bank of the future with the post-office workers of today;
- ▶ successfully complete the digital transformation;
- ▶ improve the Bank's competitiveness by upholding the social contract;
- ▶ modernise its public service mission to be an accessible bank;
- ▶ cultivate its community values.

The table below provides an overview of the ways in which resources are mobilised and impact created:

Resources and assets	Value creation
Customers - 10.5 million active individual customers - 354,000 business customers and local public entities Human capital - 28,154 employees working for the bank services - École de la Banque et du Réseau (EBR) Corporate capital - Accessible banking mission - 1,929 branches with a social mission - Responsible purchasing policy Financial capital - €11.8 billion equity - Financial ratings: Fitch (A-/F1) and S&P (A/A-1) - Extra-financial ratings: Vigeo-Eiris: 69/100; ISS-ESG: B- “prime”, Sustainalytics: 87/100 (+7 pts); MSCI: (AA); CDP: A- Natural capital - 100% electricity purchased from green energy sources - Carbon neutrality across the operational scope	For our customers – Offer banking and insurance for all - 1.5 million customers benefit from the accessible banking mission - 1.6 million financially-vulnerable customers - 43 DEDT business centres - 45 BPE service desks at post offices For our employees – Develop skills and promote diversity - 314,262 days of training received from the EBR by Le Groupe La Poste employees - 23% of head office employees work from home - 57% of executive grade employees are women For society and the regions – Contribute to local economic growth - Leading lender to local authorities - Nationwide coverage with 17,085 contact points - 13,485 indirect jobs For La Poste, our shareholder – Contribute to the transformation of Le Groupe La Poste - €780 million net income, Group share - €351 million in dividends For the planet – Be a major financial contributor to the ecological and energy transition - 63,593 tCO ₂ eq offset - Zero funding for fossil fuel projects - €137.2 billion in responsible investments

This model is underpinned by a cautious risk management policy (see the sections on Governance and Risk Management).

6.1.1.5 A growth dynamic which reflects a changing environment

Since 2018, La Banque Postale has been adapting its business model in response to the major trends affecting the market in which it operates: continuously low interest rates and macro-economic uncertainties; practices and businesses undergoing a digital revolution; tighter competition and threats to the traditional banking model; major environmental and social challenges.

This transformation is driven by the 2014-2020 growth plan *Osons créer la banque de demain* (Daring to create the bank of tomorrow) and the project to create a major public financial unit, as announced by the Minister of the Economy and Finance. This project aims to use the skills of La Banque Postale, Caisse des dépôts, Bpifrance and CNP Assurances to strengthen regional cohesion and combat regional fragmentation. (See the sections 1.3.1 the 2020 development plan goals, and 1.3.3 the merger of La Banque Postale and CNP Assurances).

6.1.1.6 CSR at the heart of La Banque Postale’s business model, and a factor in its response to the Sustainable Development Goals

La Banque Postale celebrates its uniqueness by promoting a local presence, trust and modernity for the benefit of all. Endowed with a public service mission to ensure accessible banking, it is committed to improving banking inclusion for the benefit of the entire public. A partner of choice of the local public sector, it shares its expertise with local authorities, associations and businesses across the country with a comprehensive banking and insurance offer. La Banque Postale, which was one of the first banks in the world to demonstrate carbon neutrality, helps customers manage their energy transition thanks to specially tailored offers.

It has cherry-picked its digital practices whilst still offering human contact thanks to its extensive network of post offices and the expertise of its advisors. Each customer can choose a preferred contact method: 100% digital or 100% human, from in-branch to online banking, in particular thanks to the 100% digital bank Ma French Bank.

Given these commitments, it becomes clear that La Banque Postale’s business model explicitly contributes to four of the United Nations Sustainable Development Goals (SDGs):

- **SDG no. 10: “Reduce inequalities”**, in particular through La Banque Postale’s accessible banking mission and its constant involvement with vulnerable populations. Through its products, such as the Simplicité account and micro-credit solutions, or the creation of Appui, a platform to support customers in financial difficulty, La Banque Postale helps customers become independent and participate in society, regardless of their economic situation. The creation of L’Envol, La Banque Postale’s campus, fully demonstrates its goal of promoting equal opportunity and reducing the income gap. With respect to its employees, La Banque Postale is committed to promoting equal opportunity and improving its efforts to ensure equal pay.
- **SDG no. 8: “Promote sustained, inclusive and sustainable economic growth”** benefiting all customers. La Banque Postale demonstrates its ability to provide widespread access to its banking, financial and insurance services through products and services that are accessible to all (Livret A, Simplicité option, etc.) and suited to individual needs (student loans, comprehensive home insurance for young people and students, etc.). By supporting the growth of local authorities and companies with special offers (green loans for local authorities, micro-credit, finance solutions for very small, small and medium enterprises), La Banque Postale contributes to local economic development and regional growth.

► **SDG no. 13: “Take urgent action to combat climate change and its impacts” and SDG no. 7 “Ensure access to affordable, reliable, sustainable and modern energy for all”:**

Aware of the challenges facing the climate and the environment, La Banque Postale has a specific action plan to encourage sustainable finance across its entire business. For private customers, it has developed a special finance offer to encourage energy-saving home improvements and green vehicles. As regards finance for the energy sector, La Banque Postale has decided to fund only renewable energy projects. For local authorities, La Banque Postale's green loans help fund the energy transition (green transport, water, sanitation, waste recovery, energy saving improvements for public buildings, renewable energy generation). In terms of asset management, La Banque Postale Asset Management

(LBPAM) has agreed ensure all assets under management are in socially responsible investments by the end of 2020. La Banque Postale issued its first green bond in 2019 and has achieved carbon neutrality for the entire of its operational scope.

In addition, after signing the Principles for Responsible Investment (PRI) in 2009 for its asset management business, and the Principles for Sustainable Insurance (PSI) for its Insurance business in 2012, La Banque Postale also signed up to the Equator Principles for its Financing and Investment Banking and the Principles for Responsible Banking (PRB), as well as the Collective Commitment to Climate Action in 2019. Thanks to these structural commitments, every one of its business areas is now dedicated to applying ESG principles to its operational activities.

6.1.2 Materiality of the main extra-financial issues and risks

6.1.2.1 Materiality of CSR issues

La Banque Postale's CSR Standards, developed in accordance with ISO 26000, has been used as the basis for constructing a rating scale for CSR issues. This materiality analysis, for measuring the importance of these issues in the eyes of internal and external stakeholders, was updated in 2019 and used to map the most relevant issues for La Banque Postale.

Five factors appear in the top quartile of the scale as being important for stakeholders and having a considerable impact for La Banque Postale:

- **two social factors:** “Professional development” and “Human rights and diversity management”, illustrating the importance of the HR policies developed by the Bank, which regularly sets the benchmark for these topics in assessments by extra-financial ratings agencies. (see section on Commitment to employees).
- **two customer factors:** “Customer Manager Relationship” and “Responsible Offering”, which underline the approach historically adopted by La Banque Postale of placing the customer's interests first, even though the digital transformation and data use have become major strategic challenges. Banks must compete with fintech and new arrivals on the banking scene, keen to benefit from the opportunities created by Big Data and artificial intelligence.
- The **fifth factor, “Responsible Finance”** highlights the importance of CSR considerations for banking and insurance businesses and the rise of climate finance. This ties in with the expectations of civil society and ratings agencies, keen to see clear proof of the ability to meet the UN sustainable development goals.

The launch of the Green Range to coincide with the COP21 (see section on Responsible Offering), positive incentive loans for businesses, green loans for local authorities in 2019 and the strong growth of SRI funds (environmental, social and/or human rights) provide such proof. The launch of the Digital Banking Inclusion Plan in 2017 prevents people who are not comfortable with new digital practices from being left out. The announcement that asset management will be 100% SRI by 2020 is way of promoting responsible finance.

The concept of responsible finance also highlights the importance of **managing extra-financial and climate risks**, a crucial challenge since the publication of Article 173 of the Energy Transition for Green Growth Act. In 2019, La Banque Postale reinforced its 2015 policy of measuring the exposure to climate risk using six-monthly analyses of the exposure of its Corporate and Investment Banking division to extra-financial risks. By measuring the carbon intensity of its portfolios, La Banque Postale is now able to make its investment decisions based on the carbon impact (see the section on “Management of extra-financial risks”). In 2019, the work to identify La Banque Postale's CSR risks, as required by order no. 2017-1180 of 19 July 2017 on the publication of non-financial information, was cross-referenced against the risks identified as part of its integrated reporting procedures, which has helped the Bank improve its processes for identifying and managing extra-financial risks.

These processes are described in the following paragraph.

6.1.2.2 The main extra-financial risks for La Banque Postale

6.1.2.2.1 Extra-financial risk identification methodology

In addition to the external and internal risks identified in chapter 4 of the Universal Registration Document, the Bank has conducted an extra-financial risk assessment.

In 2019, for each of the major external trends identified as having an impact on La Banque Postale and listed in the business model (see section 6.1.1.5), the Strategy Department and CSR Unit identified the associated risks. The outcome was a list of eleven risks, six of which have extra-financial relevance and are already covered by La Banque Postale's CSR policy (see next section).

- partial match between the services offered and customer (digital) expectations;
- pressure to adapt the offer to social and environmental requirements;
- risk of disintermediation, especially in the business relationship;
- employee skills gap;
- non-compliance with new regulatory requirements (transparency, reporting, etc.);
- governance arrangements and processes inadequate for new risks.

A second assessment of the potential extra-financial risks for La Banque Postale was also conducted, in collaboration with the Operational Risk Department, starting with a basic set of 113 feared events (operational risks) for which scenarios have been designed and revised by an expert consulting firm. The creation of the basic risk universe also included consultation with members of the La Banque Postale Executive Committee (top-down approach) and the managers of the Bank entities (bottom-up approach).

The environmental, social and governance risks (ESG) contained within this basic risk universe have been identified *via* an exhaustive three-step research approach:

- identification of the risks of non-compliance with the regulatory CSR obligations;

- updating the materiality test, and workshops with the entire CSR stream to identify CSR risks;
- application of a filter to high-impact risks in terms of social and image/reputational risk.

A single rule is applied across the Group for measuring risk criticality:

- the type of impact is assessed in four areas: financial, human, regulatory/legal, image/reputation;
- assessment of the frequency of the risk.

Criticality is a combination of impact and frequency and is assessed on a scale of 1 to 4 (minor, moderate, major and critical).

This exercise identified approximately fifteen risks.

6.1.2.2.2 La Banque Postale's main extra-financial risks

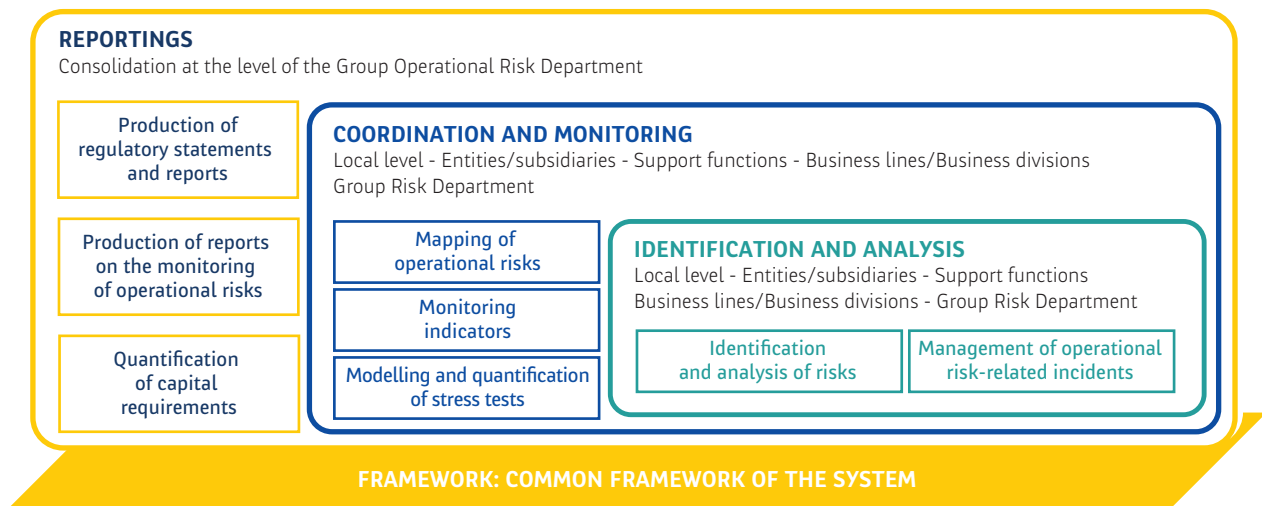
These various assessments have identified La Banque Postale's main extra-financial risks and illustrate the way they are covered by the CSR policy, in accordance with the risk management system described in the following paragraph.

Risk families	Risks identified	Risk handling
Economic risks	Image (including CSR image vis-à-vis extra-financial rating agencies)	Deployment of the CSR policy within La Banque Postale Group and its subsidiaries
	Delayed development due to new modes of consumption	See Chapter 6.2.1.6 Designing and proposing a responsible service offering
	Social exclusion (accessibility, digital divide)	See Chapter 6.2.1.1 Promote physical and digital access by all to all of our financial products and services
	Data confidentiality	See Chapter 6.2.1.5.5 Responsible marketing and data protection policy
Social risks	Financing for controversial projects in the regions	See Chapter 6.2.1.7.2 Applying extra-financial criteria to corporate and investment activities
	Non-compliance with business ethics and ethical behaviour (of which, tax evasion)	See Chapters 6.2.1.7.4 Ethics: better risk management for business, and 6.2.1.7.5 Preventing tax evasion
	Lack of guidance (forced sale, etc.)	Chapter 6.2.1.5 Guarantee an ethical and quality customer relationship
	Mismatch between skills and market expectations	See Chapter 6.1.1.1 Supporting mobility and training employees
Societal risks	Working conditions (including, PSR, burnout, absenteeism, etc.)	See Chapter 6.1.1.4 Promoting quality of life at work and employee well-being
	Discrimination	See Chapter 6.1.1.5 Guaranteeing equal opportunity in hiring, careers and promotions
Environmental risks	Mismanagement of CSR commitment in the value chain	See Chapter 6.2.3.2.2 Extra-financial criteria for assessing risk and selecting and monitoring suppliers
	Risk of non-compliance with human rights	See Chapters 6.2.3.2.2 Extra-financial criteria for assessing risk and selecting and monitoring suppliers, and 6.1.2.3 Respect for human and labour rights
	Deterioration in relationships with suppliers	See Chapter 6.2.3.2. Have a committed procurement policy with suppliers
Environmental risks	Energy consumption and emissions	See Chapter 6.2.4.1. Reduce La Banque Postale's direct carbon footprint
	Climate risks (physical and transition)	See Chapters 6.2.1.7.3 Measuring exposure to climate risk, and 6.2.4.2 Managing the environmental footprint of its products and services

Cross-functionally, a risk of “regulatory, environmental, societal and information transparency non-compliance” has also been identified. This risk is in addition to the governance-related risk of “Governance arrangements and processes inadequate for new risks” (see previous chapter), as identified in the business model and covered in the section below on “CSR governance and policy”.

6.1.2.2.3 CSR risk management system

The risk management system deployed by La Banque Postale is also applicable to CSR risks. It is illustrated in the diagram below and described in chapter 4 of this Universal Registration Document.



La Banque Postale uses a proportionality principle for all risks that are actioned.

Integrating extra-financial risks into operational risks

Under the Group’s risk management system, the business lines are responsible for identifying and handling operational risks, which include non-financial risks.

This principle is reinforced by La Banque Postale’s governance process for new products and services. An extra-financial risk analysis is always included in the risk assessment whenever a proposal is submitted to the Product Review Committee (see the section on the systematic inclusion of ESG criteria in product and service design).

In order to help project leaders investigate the extra-financial risks of their projects, an ESG checklist (see the section on Systematic inclusion of ESG criteria in product and service design) has also been added to their operational management process. This tool helps them to analyse the risks and impacts associated with a given project from a CSR standpoint.

The ESG checklist is an integral part of the risk assessment process and is a document which must be presented to the Product Review Committee. Based on the results of the ESG checklist, La Banque Postale’s CSR Unit undertakes an objective analysis of the ESG issues that have been highlighted and launches awareness campaigns where necessary.

Lastly, the operational risks rating table also contains CSR as one of the elements that comprises the image impact of a risk, and ensure

extra-financial elements are included in the assessment of operational risks.

Operational risk mapping is a risk reporting and management tool which is used and monitored at entity level. Since 2017, it has been used to track risk of failing to meet social, societal and environmental commitments. This enables the CSR Unit to periodically ensure the risk remains relevant given changes to the business, and to identify the actions and measures required.

Moreover, our management of cross-functional operational risks has allowed us to improve our monitoring of these risks by applying a standard risk management framework across La Banque Postale Group. The following are investigated by each entity of La Banque Postale Group:

- **corruption risks**, in accordance with Law 2016-1691 of 9 December 2016 relating to transparency, the fight against corruption and the modernisation of the economy (the Sapin II Act);
- **business ethics risks**: conflicts of interest, internal fraud or external fraud with internal complicity, misuse of or non-compliance with allocated rights and authorisations, wrongful disclosure of confidential information.

The risks related **to law** no.2017-399 of 27 March 2017 on the **corporate duty of vigilance** for parent and initiating companies were investigated for matters related to Purchasing.

6.1.3 CSR governance and policy

6.1.3.1 A CSR policy based on the expectations of the Bank's stakeholders

La Banque Postale's CSR policy has revolved around four complementary commitments since 2018:

- commitment to customers;

- commitment to employees;
- commitments to society and the regions;
- commitments to the planet.

It consists of 13 priority missions each broken down into dedicated projects and coupled with performance indicators and qualitative and quantitative targets. The progress made with each of these missions is described in chapter 6.2.

Commitments	Missions
Commitment to customers	Guarantee (physical and digital) access to financial products and services for all Promote an ethical and high quality customer relationship Design and propose a responsible product and service offering Ensure systematic and rigorous management of non-financial risks
Commitments to employees	Support mobility and train employees Promote quality of life at work and employee well-being Guarantee equal opportunity in hiring, careers and promotions
Commitments to society and the regions	Promote regional development and the local economy Have a committed procurement policy with suppliers Promote employees' civic commitment
Commitments to the planet	Reduce the Bank's direct environmental footprint, notably thanks to the carbon fund Facilitate the energy transition thanks to our products and services Promote the emergence of a circular economy

6.1.3.2 La Banque Postale's governance in terms of Corporate Social Responsibility

La Banque Postale's CSR policy is governed by its Management Committee, which is chaired by the Chairman of the Executive Board and discusses the topic formally twice a year. The Management Committee validates the selected projects, decides on the major strategic directions regarding CSR and ensures that the proposed projects make CSR a factor of differentiation, performance and profitability for La Banque Postale. In 2019, the Management Committee was able, amongst other achievements, to ratify La Banque Postale's business model and the alignment of La Banque Postale's business with the United Nations sustainable development goals, approve the signature of the Principles for

Responsible Banking, validate the figure of €10.50 per tonne emitted as La Banque Postale's social cost of carbon, confirm the new financial envelope for the internal carbon fund, approve the Bank's new environmental policy and highlight progress with extra-financial ratings.

A key employee incentive is the fact that 20% of the annual amount paid to employees under the salary and benefits aggregation scheme is linked to La Banque Postale's CSR performance. The salary and benefits aggregation payments are calculated based on operating income and the CSR rating. The salary and benefits aggregation scheme budget for 2018 was in excess of €11 million. This result reflects La Banque Postale's sustainable development performance: In addition, the variable share of the remuneration paid to strategic executives is also based on CSR indicators.

6.1.4 Dialogue with stakeholders

In order to better identify the expectations of the various parties associated with La Banque Postale, in 2017 the CSR Unit set up an internal focus group (combining human resources, purchasing, communication, marketing, the Distribution Network and the Corporate Department) with the aim of listing and prioritising key stakeholders. In 2019, La Banque Postale took part in a similar project run by Le Groupe La Poste. The stakeholders most important to the Bank and with the strongest relationship are:

- ▶ BtoB and BtoC customers and consumer groups;
- ▶ employees, unions and employee representative bodies;
- ▶ public authorities, local authorities, elected officials and subcontractors;
- ▶ organisations which drive social responsibility and sustainable development initiatives, NGOs and solidarity non-profits;
- ▶ shareholders.

La Banque Postale's CSR policy is structured around these main stakeholders which are also included in the business model.

6.1.4.1 Participation in consultations with consumer groups

La Banque Postale has been involved in the Level 1 consultation with the Le Groupe La Poste's consumer groups (since 1989). Twice a year, the Chairman of the Executive Board meets the national spokespersons of approved consumer groups.

6.1.4.2 Collaboration with the groups

La Banque Postale has a close relationship with a large and diversified ecosystem in many fields. It works with its stakeholders through groups such as the *Alliance Dynamique* and the *Initiative de lutte contre l'exclusion bancaire* (Action Against Banking Exclusion) dealing with a number of topics including the social and solidarity economy, insertion *via* work, the fight against banking exclusion, budget management, education and equal opportunity.

6.1.4.3 Links with the local public sector and the social housing sector

True to its values of local presence and transparency, La Banque Postale maintains its ties with local public-sector players, notably through its Local Finance Steering Committee, composed of elected representatives, former members of parliament and experts. This Committee has a forward-looking, observatory and advisory role: risk assessment, monitoring, proposing new services, etc.

In order to meet its commitments as regards social home ownership, La Banque Postale continues to work with the social housing sector, through its Steering Committee for access to social home ownership (a committee made up of notable people from the housing and social home ownership sectors). Chaired by the Chairman of La Banque Postale's Executive Board, this Committee is responsible for advice, planning, and observation. Meeting at least twice per year, it is helping to create an innovative home loan model aimed at low-income households, one of

La Banque Postale's key strategic aims (see chapter "Accessible Banking").

6.1.4.4 Non-financial ratings

In 2019, La Banque Postale was the second bank in the world to be rated B- by ISS-ESG, topping the leader board for French financial institutions, with "prime" status and ranked second worldwide for non-financial performance. This ranking reflects the quality of its CSR work.

In April 2019, Vigeo-Eiris corroborated these good results, giving La Banque Postale a rating of 69/100 (up 2 points), ranking it at the top of the list of world banks for the "retail and specialist banking" sector.

For the third year running, La Banque Postale actively took part in the Sustainalytics rating and in January 2020 obtained a score of 87/100 (up 28 points in three years). This score grants it "leader" status and ranks it sixth worldwide and first in France for its non-financial performance. For the fifth year running, MSCI has awarded its AA rating.

Finally, for the first time in 2019, La Banque Postale completed the CDP Climate Change Questionnaire and scored A-, putting it at "Leadership" level. With this score, the CDP acknowledges the Bank's sound strategy for combating climate change.

The agencies have also emphasised its responsible marketing policy and the transparency of its contracts, the measures taken to ensure access to financial services for all, the development of financial services with significant social benefits, and the effective inclusion of social and environmental issues into its asset management.

6.1.4.5 Participation in sector studies

Moreover, La Banque Postale strives to convey its values by participating in key bodies tasked with promoting CSR. It actively participates in various working groups led by the Finance Club of the ORSE "Observatoire de la responsabilité sociétale des entreprises" ("Observatory of Corporate Social Responsibility"), in the Public Committee of the Forum for Responsible Investment (Forum pour l'investissement responsable – FIR), and in the French employer federation MEDEF's CSR and Extra-Financial Performance Committees to advance major CSR projects (measuring climate risk, applying extra-financial criteria to corporate and investment banking, promoting SRI to private customers, measuring the carbon footprint of the financial sector, etc.). In 2018, La Banque Postale joined the Paris Europlace Finance for Tomorrow initiative which is intended to promote the climate actions of the Paris marketplace's financial sector.

In 2019, La Banque Postale also joined the Climate Committee created by the Federation of French Banks, and continues to contribute to debates organised by the ACPR (Prudential Supervision and Resolution Authority) within working groups on climate risk governance and measurement, in preparation for future stress tests. La Banque Postale thus illustrates how it takes environmental factors into account in its financing activities, as well as the impact of climate challenges on its activities (see section on "Responsible Asset Management").

6.1.5 Company organisation

6.1.5.1 Leadership of the CSR policy

La Banque Postale's CSR Unit, which reports to the Human Resources Department (a member of the Executive Committee) is responsible for defining the Company's Corporate Social Responsibility policy, and its environmental policy in particular, as well as for non-financial reporting and ensuring the business lines address the non-financial criteria that are most relevant to them. It is also responsible for corresponding with the external stakeholders concerned (NGOs, non-profits, CSR and responsible financing promoters, etc.) and for dialogue with extra-financial rating agencies.

The CSR stream comprises approximately 140 CSR officers across the different entities of the Bank's head offices, subsidiaries and operational sites. They are responsible for deploying operational projects, leading local employees and providing the feedback necessary to prepare regulatory extra-financial reports.

6.1.5.2 Awareness campaigns

The CSR Unit and CSR Officers in the various entities and establishments work throughout the year on raising employee awareness of CSR issues and projects. The teams, backed by the dedicated resources of the Communication Department, are mobilised every year, notably during five weeks of nationwide events on the following themes: sustainable development,

mobility, socially responsible investment, employment of disabled persons and waste reduction.

The Internal CSR network, for its part, receives special attention as the main driver for the reporting and consolidation of extra-financial information. Conference calls are organised every two months to pass on information from the head office to the field and to share local best practices.

In order to ensure that these players, which originate from all departments, subsidiaries and sites, come together and cooperate as closely as possible, the CSR Unit organises an information and discussion seminar every year. The seminar of 15 November 2019 provided the opportunity to give an update on new reporting requirements (DPEF), to present the new carbon fund architecture and the Energy Management System currently undergoing ISO 50001 certification. A specialist speaker also gave a talk on zero waste (see the section on Commitments to the planet).

La Banque Postale also continues to provide its two CSR training modules: the first tackles "The fundamentals of Sustainable Development and CSR" and the second focuses on "Driving and deploying La Banque Postale's CSR policy". These two modules are just two of the courses catalogue offered by the École de la banque et du réseau (EBR, the School to the Bank and Distribution Network), available to the 70,000 employees of the Bank, Financial Services and La Poste's Distribution Network who are interested in Corporate Social Responsibility and its operational implications on the ground.

6.2 LA BANQUE POSTALE'S CSR POLICY, DILIGENCE AND RESULTS

6.2.1 Commitment to customers

True to its postal values of providing local services to the greatest number of people, La Banque Postale is guided by one principle, to serve all, and by one approach, namely to offer responsible banking and insurance services to each customer at a reasonable price irrespective of their personal circumstances.

6.2.1.1 Promote physical and digital access by all to all of our financial products and services

La Banque Postale welcomes customers from Monday to Saturday across France at its post offices and Financial Centres, by telephone or email, and 24/7 via its self-service ATM machines and terminals. La Banque Postale has over 20 million customers in France, over half of which are in active employment.

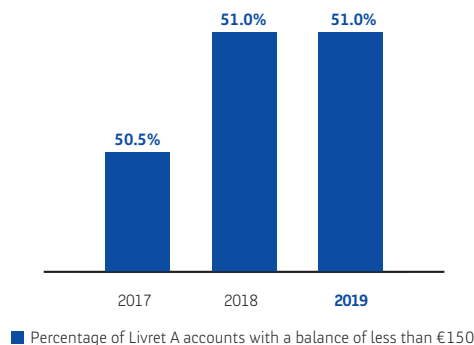
It decided to produce comprehensive customer policies suited to all of its customers, regardless of their financial situation or their specific needs. As a result, financially vulnerable customers have a range of services unique in the marketplace thanks to the completeness and quality of the support provided.

6.2.1.1.1 La Banque Postale's accessible banking mission

The accessible banking mission is one of the four public service missions entrusted to La Poste, which it executes via its subsidiary La Banque Postale. The purpose of this mission is to guarantee the banking and social inclusion of people who, as a result of their financial or administrative situation, are unable to access traditional banking or find it hard to use (illiteracy, digital illiteracy, non-French speakers, etc.), by means of offering a simple and entirely free banking service.

This service is founded on the **Livret A**, a universal and easy-to-use account. La Banque Postale has specific obligations in terms of how it must issue and operate the Livret A, notably the obligation to open an account for every applicant, offer a €1.50 minimum withdrawal and deposit limit, and authorise certain essential transactions (e.g. receipt of social security benefits, direct debits for subsidised housing rents, and water, gas, and electricity bills, etc.).

Based on the way it is used by 1.5 million customers, La Banque Postale's Livret A account is the only such service available for free in France for these vulnerable or excluded customers. Backed by an ecosystem of services and a dense network, it provides crucial human support and the ability to make low-value cash transactions.



In order to improve accessible banking for asylum seekers, the list of migrant referral branches and the list of branches acting as contact points for administrative holding centres have been updated. There are now 144 branches offering some form of special reception services, with the aim of meeting three goals: encouraging social integration, combating all forms of discrimination during the customer reception process, and facilitating accessible banking among these populations. Post office workers at these branches have received special training in how to open Livret A accounts for asylum seekers, and have a thorough understanding of the various administrative situations and acceptable documents. They also have a special relationship with mediators from the French Office of Immigration and Integration (OFII). A new partnership agreement will be signed by the OFII, La Poste and La Banque Postale in 2020, and the number of referral branches will be adjusted in line with the new Government-registered centres.

6.2.1.1.2 Clear support for financially-vulnerable customers

The term “financially-vulnerable customer” is defined by regulation (Article R. 312-4-3 of the Monetary and Financial Code), although the banks themselves are required to establish more generic definitions.

La Banque Postale uses the term financially vulnerable to describe any customer:

- ▶ whose bank account deposits are below the poverty line i.e. €1,041 in 2020;
- ▶ or who use the *Simplicité* account option;
- ▶ or who benefit from the basic banking service (as part of the Right to an Account scheme);
- ▶ or who are over-indebted (irrespective of status) and whose assessment request has been declared admissible.

Financially vulnerable also means customers who, for three consecutive months:

- ▶ have been banned from using banking services or listed on the Central Registry of Revoked Bank Cards (FCRC - Fichier central des retraits de carte bancaire);
- ▶ have experienced repeated anomalies or payment incidents on their account.

In addition, since 1 January 2020 an early detection system based on a predictive score has been used to identify customers who are at high risk of becoming financially vulnerable and thus take preventive action. For example, these customers receive a message encouraging them to make an appointment with their advisor, informing them about the *Simplicité* account option and the L'Appui Support Service should they experience financial difficulties.

In 2019, La Banque Postale listed 1.6 million financially-vulnerable customers *i.e.* nearly half of the 3.3 million people identified by the Banque de France. These are separate from the 1.5 million people who benefit from La Banque Postale's accessible banking mission.

La Banque Postale offers a special service for vulnerable customers, known as the “Simplicité” account option:

- ▶ a special rate, unchanged since 2014, of €2.30/month, below the regulatory limit of €3/month;
- ▶ a pre-authorised card, with access to online account management and SMS alerts for the account balance;
- ▶ charges capped at €20/month and €200/year.

The number of clients using this option has risen by 41% since 2017. At the end of December 2019, it totalled 112,000 out of approximately 490,000 nationwide, according to the latest estimates supplied by the Banque de France.

In addition, La Banque Postale offers exactly the same cap for people who benefit from the basic banking service (as part of the Right to an Account programme). This applied to approximately 25,000 La Banque Postale customers at the end of 2019.

6.2.1.1.3 A special system for protected customers (protected minors and adults)

To better serve these customers and their legal representatives, the Bank has created **“protected adult” branches** whose employees receive special training. They handle transactions for protected persons and respond to requests from legal representatives as well from advisors at La Banque Postale and the La Poste Distribution Network. La Banque Postale also offers the **Protectys** card, an interbank payment card for protected adults under the care of a natural person. Over 7,000 Protectys cards are currently being used by protected persons.

6.2.1.1.4 Facilitating access to services to persons with disabilities

La Poste's Distribution Network, which is La Banque Postale's window to the regions, has for the past decade been committed to a major programme of modernisation designed to make post office branches, products and services more accessible for disabled persons. As part of the Programmed Accessibility Agenda (Ad'AP), it is committed to continue its branch accessibility programme between 2016 and 2024. By the end of December 2019, 6,124 post offices (78%) had accessible sales areas and 4624 (58%) had external disabled access.

By the end of 2019, 98.5% of cash points (ATMs) in post office walls were either directly accessible or situated immediately near to another accessible ATM in the same post office. La Banque Postale is also in process of providing accessible ATMs and SSTs (Self-Service Terminals) for blind and visually impaired users, having converted 83% of machines by the end of 2019. All ATMs located inside branches are accessible.

Personalised assistance is also available for deaf and hearing-impaired customers within the sales area. In total, 5,980 post offices are fitted with amplifiers to improve communication with customers with or without a hearing aid. French sign language interpreters have been available since 2014 to assist during customer meetings.

Across the Distribution Network, 56% of employees in contact with customers completed an e-learning course on “Helping disabled customers” between May and December 2019.

In 2018, La Banque Postale launched a new Deaf and Hearing-Impaired service, which has handled nearly 8,000 requests to date, thanks to the DEAFI solution which in particular is able to provide sworn French sign language interpreters.

For the **visually impaired**, La Banque Postale provides its statements and monthly newsletter in Braille or a text-to-speech solution at no extra charge.

La Banque Postale also monitors the **digital accessibility** of the tools it provides in three main ways:

- ▶ the La Banque en Ligne website, compatible with text-to-voice readers since 2010, is audited on a regular basis to ensure ongoing improvement for users; several new features were added in 2019 with this same level of accessibility;
- ▶ La Banque Postale's universal app was disrupted by the arrival of iOS 13 at the end of the year, since the voice authentication did not work properly with the new Apple operating system. Teams are working hard to restore normal functionality for our users in 2020. In the meantime, the mobile app continues to work well on other versions of iOS, offering a great mobile banking experience;
- ▶ La Banque Postale's company website is also audited on a regular basis. This website is frequently updated and expanded, paying special attention to maintaining a high level of accessibility.

6.2.1.1.5 Combating the digital divide

To assist customers using digital services and to help them become more autonomous, La Banque Postale has implemented a **digital banking inclusion plan**. Supported by the PIMMS national union, the FACE foundation and We Tech Care, this plan is designed to identify the least digitally savvy customers, provide them the necessary in-branch support and direct them to the most suitable digital assistant for their situation within the area of the post office branch to attend a special workshop.

To accomplish this, La Banque Postale has enriched the www.lesbonsclics.fr website with tutorials on essential digital services (how to make an appointment with an advisor, print a bank statement, use online banking).

La Banque Postale's ambition is to gradually roll out this plan to 300 branches. Mediators and managers offer assessments to customers to determine their degree of digital know-how. Depending on their level, customers can then receive tailored support to help familiarise themselves with the mobile apps and online services offered by La Poste and La Banque Postale. Customers who struggle the most will be referred to partner associations where they can receive training to improve their digital autonomy, including access to online banking which is an essential part of modern day life.

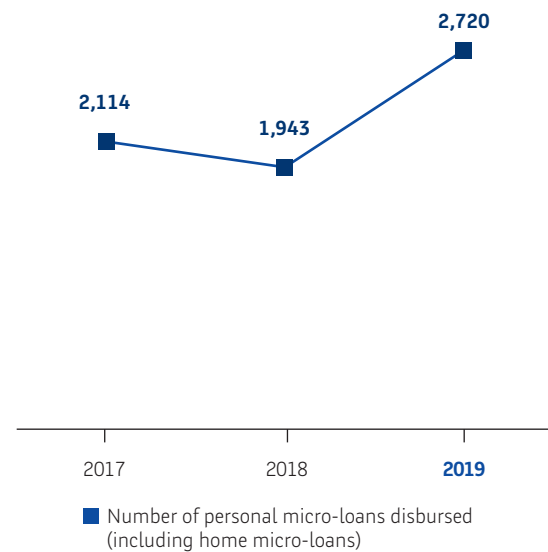
This scheme expands the digital banking inclusion plan launched in 2017 by La Banque Postale with three signature projects: offering an alternative to 100% digital whenever possible; helping clients with the digital transition; and developing inclusive digital services.

In 2018, La Banque Postale also contributed to the launch of a budget management app called PiloteBudget, which enables users or their companions to calculate their disposable income. The tool is simple to use and confidential because it is not connected to the user's bank accounts. It's main purpose is educational. It was developed based on the experience of the charities Emmaüs SOS Famille and Cerise in Nanterre with the support of other partners (ANSA, Mes questions d'argent, Fondation Cetelem, Finance et Pédagogie, Crédit municipal de Paris and the French Federation of Banks).

6.2.1.2 Facilitating access to credit

6.2.1.2.1 Microcredit, an alternative for customers not eligible for traditional credit

In 2007, La Banque Postale began offering personal microcredit across the whole of France. The service was originally implemented via a partnership with charities and public organisations that specialise in identifying and supporting projects run by people otherwise excluded from the banking system due to a lack of solvency. A new personal micro-credit system has been in place since 1 January 2018: La Banque Postale supports the Créa-Sol micro-finance institution, helping it to provide microcredit throughout the country. Over 2019, 2,720 micro-loans were issued thanks to La Banque Postale's sponsorship. The support consists of both financial aid and skills. It enables beneficiaries and support networks to benefit from a more fluid and rapid decision-making process thanks to a digital assessment.



√: indicator independently verified to a reasonable level of assurance

La Banque Postale also offers **professional microcredit** via the Association pour le Droit à l'initiative économique (Adie, Association for the Right to Economic Initiative) to help entrepreneurs start up and grow their business. Adie and La Banque Postale therefore support potential micro-entrepreneurs who as customers of the Bank have been identified by branches in vulnerable urban areas who want to create their own business. In 2019, 1,000 entrepreneurs received funding from Adie thanks to La Banque Postale. By proposing suitable financial solutions via Adie, La Banque Postale is fulfilling its role with micro-entrepreneurs.

6.2.1.2.2 Home loans and access to social home ownership

La Banque Postale enables young people under the age of 36 to obtain a home loan without having to make a down payment. Although its solvency requirements for loan applicants are extremely high, it has also broadened access to credit by offering **loans for social home ownership (prêts d'accession sociale à la propriété, PAS)**. This product has provided over 135,000 La Banque Postale customers with access to social home ownership. La Banque Postale issued €1.76 billion in social home ownership loans in 2019. By the end of 2019, La Banque Postale had 227 partners, of which 42 classed as IOBSP (intermédiaires en opérations de banque et en services de paiement - "Banking and payment service intermediaries") and 185 social housing associations.

At the end of 2018, the monthly household income for 25.8% of home loan applicants was less than two net minimum monthly wages, meaning over 16,000 people on very low incomes were helped to buy a home.

6.2.1.2.3 Consumer credit

La Banque Postale Financement offers loans at rates which are among the lowest in the market for easily affordable amounts: personal loans (vehicle, work, projects), refinancing, youth offers and special offers for temp workers.

With its personal student loans, apprenticeship loans and "1 euro driving licence" loans, La Banque Postale also responds to the specific needs of young people.

The personal loan for temporary workers enables La Banque Postale Financement to fulfil its role as a civic-minded Bank by offering financing to customers often excluded by other organisations.

6.2.1.3 Combat banking exclusion with public and non-profit groups

To expand its knowledge of the needs and habits of financially-vulnerable customers, La Banque Postale has, since 2012, undertaken a programme of discussion and cooperation with those of its stakeholders involved in combating banking exclusion.

La Banque Postale actively participates in the public authorities' deliberations on banking inclusion. La Banque Postale participates in the Observatoire de l'inclusion bancaire (OIB - "Banking Inclusion Monitoring Unit"), alongside government representatives, consumer, family and anti-exclusion charities, and other lending institution representatives. Its purpose is to monitor lending institutions' practices with regard to banking inclusion, especially towards populations in financial difficulties. La Banque Postale implements all of the OIB's recommendations for promoting products for vulnerable customers and furthering its understanding of certain types of vulnerabilities (digital inclusion of senior citizens, etc.).

La Banque Postale has also initiated **direct discussion and nurtured relations with public players in the social sector and anti-exclusion charities** so as to promote "banking inclusion", i.e. the establishment of schemes facilitating access to and use of financial services for customers in a socially vulnerable situation. Convinced that only active and organised cooperation will make it possible to meet the challenges of banking and financial exclusion, in 2012 La Banque Postale founded a think tank tasked with developing new practices in response to the needs of customers in a situation of financial vulnerability. The goal of this think tank, called **L'Initiative contre l'exclusion bancaire (Action Against Banking Exclusion)**, is to:

- ▶ promote mutual understanding between populations in financial difficulties and the other parties who interact with them, who may or may not be part of the banking sector;
- ▶ learn together in order to create and test products, services and practices that take into account the real expectations of these customers;
- ▶ promote and defend, especially with public authorities, the most appropriate mutually-defined solutions.

As an open organisation, this think tank welcomes all players in the social, charity and banking world who share its goals and want to develop new initiatives to combat banking and financial exclusion. In 2019, it defined actions to promote a specific offer for financially vulnerable customers (tools, human resources, etc.). The think tank currently has 22 members: the Association pour le droit à l'initiative économique (ADIE, "Association for the right to economic initiative"), the Salvation Army, ATD Fourth World, La Banque Postale, the Chambre régionale du surendettement social (CRESUS, the "Regional Chamber for Social Over-indebtedness"), the French Red Cross, Emmaüs France, Habitat et Humanisme, Restos du cœur, the Secours catholique, the Secours populaire, l'Union nationale des centres communaux d'action sociale (UNCCAS, "National Union of Municipal Centres for Social Action"), the Association nationale des directeurs de mission locale (ANDML, the "National Association of Local Mission Directors"), the Soliha Federation, the Union nationale des PIMMS (UNPIMMS, "National Union of the Multi-Service Mediation Points"), the Fondation Agir Contre l'Exclusion (FACE, "Foundation for the Fight Against Exclusion"), the Union nationale des affaires familiales (UNAF, the "National Union of Family Affairs"), the Crédit municipal de Paris, WeTechCare, Créa-Sol, Solidarité nouvelle pour

le logement (SNL, New Housing Solidarity) and the Fédération des banques alimentaires (Food Bank Federation).

La Banque Postale also supports **Action Tank Entreprise et Pauvreté** ("Enterprise and Poverty"), a non-profit association as defined by the 1901 law that aims to promote the development of experimental entrepreneurial projects with an impact on poverty and exclusion in France. The Malin, Mobiliz and Optique Solidaire programmes are in particular promoted by account managers at La Banque Postale's support platform (L'Appui).

6.2.1.4 Contribute to furthering financial education with La Banque Postale's employees and partners

As detailed in the section on Commitments to society and the regions ("Promote employees' civic commitment"), La Poste's Distribution Network and La Banque Postale are committed to providing financial education, in the form of a skills volunteering programme with several charities.

Young people in difficulty are particularly targeted through the many budget workshops led by skilled volunteers. In partnership with **Crésus**, the company's ambassadors introduce young people to budget management in a fun way using the Dilemma game designed by Crésus.

Volunteers assist high school students with a mini-business project. They work with the partner **Entreprendre pour Apprendre** (Learning through Enterprise), where they sit on the regional or national judging panel for the mini-business championships.

Some volunteers work with **Adie** to support the entrepreneurs with their start-up project. The latter are usually from lower-income areas and have received a microloan.

The first "Bourse aux Experts" (Ask the Experts) was organised with **Passerelles & Compétences** in December 2018, during which employees provided free advice to charities about financial management and marketing plans.

6.2.1.5 Guarantee an ethical and quality customer relationship

The welcome given to customers, customer management and quality of service are perfectly in line with La Banque Postale's strategy as a "bank that works in the best interest of the community at large". A responsible customer relationship is a relationship based on quality advice, in turn underpinned by a suitable method and customer-focused commercial management and advisor remuneration. Responsible practices are implemented in all circumstances and throughout the banking relationship: confidence, support, follow-up and transparency.

6.2.1.5.1 Appropriate and responsible advice

The cornerstone of La Banque Postale's advice process is an **ethics review**, which is described in more detail below (see Ensure systematic and rigorous management of extra-financial risks). The review highlights the importance given to responsible sales practices. In addition, La Banque Postale's semantic guide reflects its fundamentals and its values, and enforces clear, simple, and transparent marketing pitches.

Since its creation in 2006, La Banque Postale has ensured that its products are adapted to the personal circumstances and needs of its customers. The **7G sales method**, recognised by the non-financial rating agencies, forms the foundation of the customer-advisor relationship. After modifications in 2012 and 2015 to improve customer discovery and the quality of advice, the 7G method was revised again in 2017 on the basis of three principles:

- ▶ **a single method** for all types of meeting, incorporating new advisory tools (Cap Client) irrespective of the contact channel (face-to-face or remote) and suitable for all customer types/profiles;
- ▶ **a method which provides a more personal, supportive and transparent service** thanks to a better understanding of the customer as part of the Preparation and Discovery process, which involves listening to the customer and providing feedback. This method means the structure of the meeting can be adjusted to suit customer expectations and a predefined strategy, thanks to the new tools provided to enhance the customer relationship. Transparency is encouraged through the various screens of the Cap Client programme, which were designed to be shared with the customer during the meeting;
- ▶ **a method to establish a long-term customer relationship**, through exhaustive customer knowledge, which is regularly updated to take the needs that are identified or voiced into account.

The 7G sales method is displayed on the desk of every advisor, to encourage them to follow each stage. All advisors and managers were trained in the method in 2017. There is also a support scheme known as **Passports**, run by the managers, in order to help banking advisors constantly develop their professional skills for applying the sales method and using these tools. In addition, the regional **Methods & Tools Managers** are experts whom managers can ask for help when supporting and arranging professional development actions.

The home loan distribution scheme was changed in 2018 with the introduction of a mixed distribution model within the network. The distribution model has therefore changed, and instead of using only specialists it is now a mixed model comprising:

- ▶ **8,000 general branch-based bank advisors**, whose role is to help the customers in their portfolio with all of their current needs as responsively as possible;
- ▶ **400 specialist advisors**, offering expert home loan advice at the "Maisons de l'Habitat" branches, who handle complex files opened by branch-based bank advisors as well as requests relating to adverse possession (brokerage).

This transformation has improved the quality and speed of response for customers and the consistency of the files.

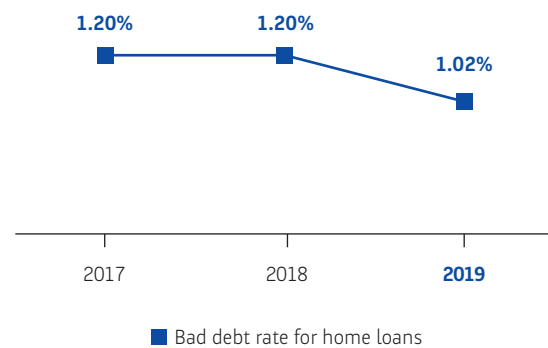
Upstream, La Banque Postale is attentive to the way it promotes products to its customers and uses clear educational materials: user manuals, videos, essentials, guides, etc. Marketing campaigns focusing on transparency, simplicity and clarity help build a long-lasting, high quality relationship from the start. A property guide is available on La Banque Postale's website and is updated regularly so that all customers may stay informed.

The goal of developing a long-term relationship with customers is also built into the **variable remuneration system** implemented by La Banque Postale. Each year, sales advisors commit to targets as part of a performance contract, designed in particular to improve the customer relationship and manage risks and compliance. The contract is reviewed with the manager three times a year.

6.2.1.5.2 Product subscription and monitoring: prudent risk management, regular monitoring, extreme debt prevention

The point at which the customer subscribes to a product by signing the contract and how that contract is then monitored are crucial stages for building the customer-manager relationship. It is essential to exercise prudent risk management and regularly monitor the customer's situation.

In the home loan field, advisors carry out a personalised study of the real estate transaction and consider the plans using a global approach (based on disposable income, eligibility for home savings schemes, etc.). By offering relevant advice and objectively analysing the customer's situation, La Banque Postale has one of the lowest bad debt rates in the marketplace (1.02% on 30 November 2019, unchanged in two years, despite credit exposure reaching €58,256 million at the end of 2019).



La Banque Postale's doubtful loan rate is still among the lowest on the market.

The criteria for granting **consumer loans** are strict and based on a rigorous policy and prudent risk management to prevent customer taking on excessive debt. For this purpose, La Banque Postale has designed and established a comprehensive and coherent system for preventing over-indebtedness, applied when the loan is first granted and throughout the whole life of the product. The guidelines are intended to anticipate and identify potential financial difficulties, so that advisors can act early and provide support:

- ▶ **when granting consumer credit**, La Banque Postale Financement calculates the customer's repayment ability based on their income and expenses, and applies its knowledge of the customer and their history;
- ▶ **throughout the life of the loan**, La Banque Postale remains vigilant thanks to its trained advisors and its customer relations management scheme in order to detect any signs of financial difficulty as early as possible;
- ▶ **as part of the customer relationship**, an annual budget review is offered in order to update information about the borrower's situation and check the suitability of the loan and, if necessary, to modify the repayment schedule and adjust the monthly payments.

Revolving credits have become widespread since they were redefined by the Hamon Act of 17 March 2014 which improves customer protection. This offer now forms an integral part of La Banque Postale's range of consumer loans. Positioned between an overdraft facility and a personal loan, they allow customers to cope with temporary cash flow problems and unexpected expenses, or carry out small projects in a controlled manner. The revolving credit offer is unique for its simplicity and its responsible nature: one of the lowest interest rates on the market, different

repayment rates including a fast-track option (30% faster than the statutory requirement), and a partial or total early repayment option without charge, at any time by telephone or internet.

Consistent with the values of the Bank, the offer is clear, educational and transparent. It is entirely based on knowledge of the customer. Indeed, preventing over indebtedness was a core factor in the design of this offer. The product is reserved for La Banque Postale customers with a CCP, and a welcome guide describing good and bad ways of using revolving credit is available to customers both when they apply for the credit and throughout the repayment period.

6.2.1.5.3 Assistance to people undergoing financial difficulties

In parallel with its accessible banking actions, La Banque Postale is very committed to assisting people undergoing financial difficulties. To do this, it has a unique system which was implemented with the assistance of organisations in the non-profit sector involved in the fight against social exclusion.

L'Appui, the budget assistance platform for customers experiencing financial difficulties

In 2013, La Banque Postale created **L'Appui de La Banque Postale**, a telephone banking and budget advice platform accessible to customers via a single standard-rate number. This service has a dual purpose: firstly, assisting customers of La Banque Postale experiencing one-off or recurring financial difficulties, and, secondly, helping prevent financial difficulties in the first place.

The account managers at this new platform assess the customer's disposable income after reviewing their budget to check for any non-conferred rights or to identify any cases of heavy indebtedness or over-indebtedness. The L'Appui account managers are therefore able to refer customers to partners, non-profits and voluntary associations (CCAS, Union départementale des associations familiales "Regional Family Charities Union", Fonds d'action sociale du travail temporaire "Temporary Workers Social Action Fund", etc.) to help them access favourable rights or rates; and manage debt problems with credit institutions specialised in restructuring or refinancing, such as La Banque Postale Financement, or Crésus for people who are over-indebted. Finally, under certain conditions, the platform can provide access to social offers suited to the needs of customers in difficult financial situations, developed by *Action Tank Entreprise et Pauvreté* ("Enterprise & Poverty").

By the end of 2019, the L'Appui team had 32 advisors, all trained in providing support for customers with limited budgets. The scope of L'Appui also extends to La Banque Postale customers in the French overseas departments. Over 170,000 customers have received support from L'Appui, of which 65,300 have received comprehensive budget assistance since 2016.

La Banque Postale instructed a specialist firm to conduct an impact study of L'Appui in 2017. The study revealed that, for customers who had received this assistance, L'Appui had led to:

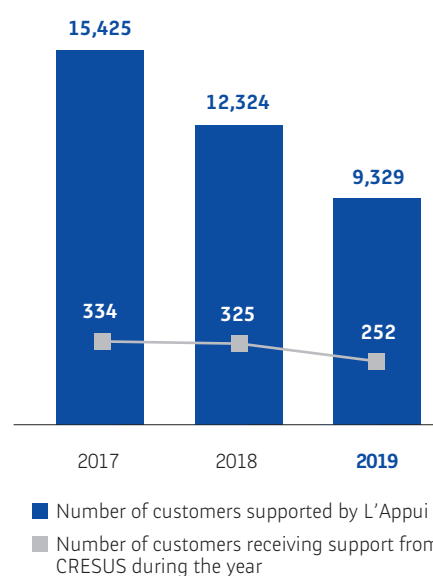
- stabilisation of their budget in the short term, and slower long-term deterioration compared to customers that had not received full support;
- awareness of their financial difficulties, demonstrating the preventive nature of the support;
- better management of incidents, demonstrating the educational aspect of L'Appui;
- customers monitoring their accounts more regularly using digital tools;
- customers becoming more aware of their ecosystem, enabling them to contact social bodies and associations.

As part of its partnership with **Crésus**, active customers of La Banque Postale experiencing financial difficulties and heavy debt but who cannot be effectively assisted by the L'Appui platform will be directed to this organisation instead. It will provide intermediation support with various creditors to obtain coordinated and long-lasting adjustments as well as social and economic assistance for the customer's financial recovery.

A dedicated consumer credit system

As part of its consumer lending and revolving credit business, La Banque Postale Financement has established a two-level support system in order to monitor customers encountering financial difficulties:

- a **support unit**, dedicated to vulnerable customers who accept specific monitoring based on listening and education, was established when this activity was launched. The advisor talks to the customer to establish a detailed analysis of their financial situation and difficulties, and produces a diagnosis to guide the customer towards loan restructuring or loan consolidation, or more comprehensive support if needed. Regular meetings are scheduled to ensure on-going support;
- La Banque Postale Financement also set up a **preferential partnership with L'Appui** to provide guidance for heavily indebted customers, based on loan consolidation applications rejected by the loan application unit at the customer relations centre.



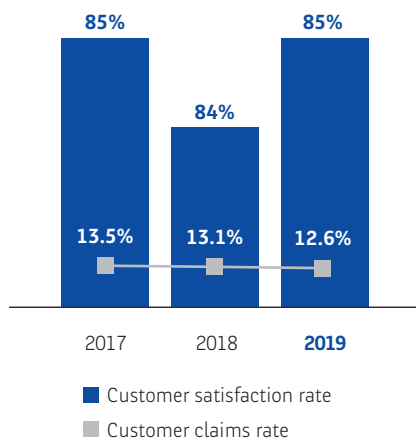
Specialised teams to better assist special cases

In addition, since 2017 La Banque Postale has appointed expert teams for handling and supporting specific types of customers:

- ▶ over-indebted customers (36 employees) or with *droit au compte* status (right to an account granted by the Banque de France) (9 employees);
- ▶ transactions and relationships with the legal representatives of protected customers (four protected adult agencies with 150 employees).

6.2.1.5.4 Listening to customers

Quality of service is a major **lever to ensure customer satisfaction and loyalty**. Various tools make it possible to monitor changes in the quality of service delivered. **National satisfaction surveys** have been conducted. In 2019 the customer satisfaction rate was 85% (with 33% of customers “very satisfied”) and the customer complaint rate fell to 12.6%. (Source: La Voie du Client – customer section.)



Lastly, in terms of image, La Banque Postale is still ranked top for rates. (Source: La Voie du Client – benchmark section).

Continual improvement in remote customer relations

Given these results, a certain number of measures were implemented, notably in terms of **listening to customers and handling complaints**. More than 250 employees handle customer complaints on a daily basis, initially at the Company's Financial Centres. If the customer is not happy with the answer provided to their complaint, they can write to the appeals department for a second review of their file. In 2019, 85% of claims were handled within 10 days. The complaints process is structured in order to provide the customer with visibility on how and where to submit a complaint, in line with the expectations of the ACPR. A new “appeals” level is available. The process of handling and following up claims has also been standardised across all business lines and products. At the same time, a root cause analysis is under way in order to determine an action plan for eradicating faults and bad practices. Since the end of 2017, the six Customer Solutions Departments in mainland France, and the Client Solutions Unit in Martinique have been tasked with managing customer dissatisfaction and proposing mutually beneficial solutions for a renewed and lasting relationship. At the same time, work was done to simplify the customer pathway through the complaints process, with a focus on data sharing across all channels between the customer and other parties involved, from the Advisor to the digital applications of La Banque Postale.

In post offices

Since 2014, La Poste Network has improved its system for responding to complaints relating to post office customer service jointly with the sectors. The 17 complaint handlers at the customer complaints centre have been trained in a new method of writing and making calls to customers to enable the complaints to be handled more reactively. New tools to measure the quality delivered and perceived have also been created. Firstly, response quality is measured every quarter, based on a 10-point assessment for the content and form of the responses. The results of this measurement reveal a rate of compliance with writing standards of over 90%, and are provided per employee; they are entry points for actions to develop the skills of the drafters. Secondly, a satisfaction questionnaire is used to measure perceived quality after the complaint has been dealt with.

Lastly, in November 2017, the Distribution Network's Customer Relations Centre obtained certification for its complaints handling, in order to strengthen the quality approach under standard NF 345, already obtained by the telephone service.

Other systems have been established by the Distribution Network to improve the quality of service:

- ▶ the quality measuring systems established by the Distribution Network's Quality Department and the Operations Department have been improved, to supplement and refine the insights obtained from the customer satisfaction surveys and optimise management of the fundamental aspects of quality service;
- ▶ bank advisor assessments: reception, responsiveness and effectiveness;
- ▶ measuring phone accessibility;
- ▶ the perceived service: customer feedback systems designed to go further with customers, gain in-depth knowledge of their perceptions and to re-contact them if they so wish. Customers can directly express their views regarding their satisfaction, enabling La Banque Postale to optimise the complaints pathway from end to end;
- ▶ since 2017, **satisfaction terminals** have been fitted in 450 branches, allowing customers to express their level of satisfaction “on the spot” directly following their experience with an expert advisor.

Via social networks

La Banque Postale is close to its customers, including on social media. It is present on Facebook, Twitter, Instagram and YouTube. It provides a personalised relationship by providing after-sales service and distributes innovative, educational and involving content.

Thanks to the quality of its **digital customer relations**, La Banque Postale, along with the Liv'Lab team of Le Groupe La Poste, was awarded “Best digital team” in 2017. The prize is awarded by the French Customer Relations Association AFRC (l'Association française de la relation client). More than 1,600 customer issues are handled each month, ensuring that customer satisfaction is measured and improved on a daily basis.

La Banque Postale positions itself as the **first French bank to answer internet users' questions about money** by publishing educational and humorous videos presented by the “Le Tatou” YouTubers on its YouTube channel.

In 2019, the La Banque Postale YouTube channel was named “Best Brand Channel in France” at the Grand Prix Social Media Awards, and its video strategy for encouraging education in financial issues has also received multiple awards this year: First Prize in the Search Experience category at the *Grand Prix du Search Awards*, together with the Silver Award for Organic Searches, and a Silver Award at

the Communication & Companies Grand Prix in the “best external marketing campaign” and “best digital campaign” categories.

Participative innovation: a lever to continually improve customer relations

Since January 2017, the Customer Experience Department of La Poste's Distribution Network and La Banque Postale has provided employees with a shared participative platform for improving the customer experience and that of its employees. The *Ensemble vos idée* platform (Your Ideas Together) allows 18,800 employees to share their ideas and best practices, thereby contributing to customer satisfaction. In 2019, 1,350 ideas were shared via 23 regional competitions and two national competitions on topics relating to the Le Groupe La Poste. Concerning customer relations, employees were thereby able to suggest best practices for assisting new account managers in their daily tasks (implementing efficient client pathways through post offices, enhancing skills, use of new internal tools, etc.). Other good practices related to the simplification of the online bank pathway or the improvement of the customer relationship in the financial centre.

An event was organised for over 200 employees to recognise achievements in the field of customer and employee experience innovations.

In 2019, over 15 topical debates were held with HQ back office to give employees an even greater say in the plans to transform the company.

6.2.1.5 Responsible marketing and data protection policy

La Banque Postale is developing a responsible marketing policy.

The La Banque Postale's Privacy Policy is managed by a special team headed by the deputy Data Protection Officer (DPO), who ensures none of La Banque Postale's marketing (or internal communications) breach the core customer privacy principles established in particular by the General Data Protection Regulation (GDPR). Since 2016, La Banque Postale's data policy has been strengthened by an official Group **Data Charter**, consisting of six commitments, setting a benchmark in terms of ethics for the digital sector.

The training provided to La Banque Postale advisors includes a module on Know Your Customer and the data protection tools provided by La Banque Postale. The general terms and conditions of sale also include provisions relating to customer data protection.

The security section on our website labanquepostale.com provides information for all users on best practices and how to protect personal data when managing accounts online. The website's legal information section sets out our privacy policy for users.

With regard to **mass marketing**, La Banque Postale's sales and marketing practices are based on customer profiling to ensure the relevance of groups targeted by marketing campaigns and regulate sales pressure on each distribution channel. The Bank has an array of tools, such as its Marketing Plan and Customer Dictionary, to help define marketing and solicitation strategies suited to every customer segment, thereby avoiding blanket mass marketing campaigns and fruitless canvassing of customers.

The marketing procedures followed by the post office network include the **facility for customers to unsubscribe from La Banque Postale's marketing**. The same principles apply to digital marketing, where our data protection policy explicitly covers:

- ▶ **general information on the use of cookies and data collection** on the labanquepostale.fr website: a generic message is displayed to all users the first time they visit the website and to visitors who have deleted their cookies.
- ▶ **access to the general legal notices**: they can be reached from the bottom of any page on the site: these legal notices include a specific paragraph on the use of customer data and cookies;
- ▶ **a link to unsubscribe from Bank emails**: given in all our opt-in newsletters to existing and potential customers (i.e. who have agreed to marketing) and our solicitation emails to existing and potential customers;
- ▶ **a customer account**: when logged in, customers can update their personal data and opt in to marketing directly via their account on labanquepostale.fr.

These legal notices have been approved by the Legal Department and the deputy Data Protection Officer.

Sabotage, exfiltration of data, fraud... cybercrime comes in many guises. While all companies are now exposed to cyber risks, the banking industry is the main focus of cyber criminals. Aware of this threat, and increasingly regulated by the authorities who are becoming more and more demanding, La Banque Postale pays particular attention to managing this risk which has now become a social concern. For this purpose, in 2013, La Banque Postale implemented an Information Systems Security governance policy based on managing risks, which has been deployed throughout La Banque Postale Group. In addition to standard prevention, protection, detection and response systems, La Banque Postale also carries out regular awareness campaigns on cyber risks for the employees of La Banque Postale Group and La Poste's Distribution Network. These include information about phishing and best practices, as well as e-learning and classroom-based awareness training for new employees.

6.2.1.6 Designing and proposing a responsible product and service offering

La Banque Postale is committed to offering its customers a simple, clear and responsible range of products and services, focused on essentials, at an affordable price.

6.2.1.6.1 Systematic inclusion of ESG criteria in product and service design

Since 2009, La Banque Postale has ensured that environmental, social and governance (ESG) criteria are systematically taken into account in the design of its range of products and services. It has produced an official ESG checklist that gets appended to every product presentation file prepared for the Product Review Committee. This checklist sets out La Banque Postale's five founding values – accessibility, performance, differentiation, accountability and cohesion – according to 19 ESG criteria: ethical advice, transparency, simplicity, clarity, climate action, preventing tax evasion, etc.

The product managers are trained how to use this tool and are made aware of the Bank's main CSR challenges.

In 2019, La Banque Postale held 32 Product Review Committee meetings. All new products, and any which have been significantly modified, are cross-checked against non-financial criteria which cover the design and distribution of the products as well as customer support. In 2020, the checklist will be overhauled and will be used even earlier in the product design process, ensuring even greater consideration for extra-financial factors.

In addition to systematically integrating ESG criteria into its offering, right from its design phase, La Banque Postale also offers products that enable true civic commitment on the part of its customers.

6.2.1.6.2 Innovative products that encourage customer commitment

La Banque Postale is involved in energy transition thanks to a dedicated offering

La Banque Postale helps customers to follow their own social conscience with its **"Gamme verte" ("Green Range")** for private individuals, launched at the end of 2015 during COP21. This product range provides home financing solutions (energy efficiency renovations with the zero-percent eco-loan and the "green works" loan) and eco-mobility (personal loan for a green vehicle). An investment line combining a requirement for financial performance with an ethical and responsible approach is also available. In 2019, the product line was extended to include the Eco PTZ *Habiter Mieux*, designed for people eligible for assistance under the *Habiter Mieux* programme run by the Agence nationale pour l'amélioration de l'habitat (National Agency for Better Living).

In 2018, La Banque Postale launched an on-line **energy self-diagnostics platform** to advise and assist private individuals who want to renovate their home and improve its energy performance. The platform was developed in partnership with Économie d'Énergie (Energy Savings) and is available on La Banque Postale website. It provides customers with full support for their project, from an energy diagnosis of their home, to the completion of work by companies with the RGE label, to financing options. The final element of this service is a special telephone advice line operated by Économie d'Énergie, providing advice to customers throughout their project.

La Banque Postale is a regional development bank and it has therefore adapted the platform to suit the needs of social landlords (70% of all subsidised housing operators are customers of the bank), local authorities, hospitals and local public enterprises. This completes La Banque Postale's offering to companies and the local public sector in order to optimise the energy performance of their real estate assets.

Furthermore, La Banque Postale's Corporate & Investment Bank has a special team for arranging funding for renewable energy projects, building energy improvements and infrastructures (fibre, water, heating, public buildings, transport). In four years, more than €3 billion has been issued to finance projects promoting the energy transition, sustainable transport and regional development.

Solidarity-based savings solutions available to every customer

The *Intérêts Solidaires* service provided by La Banque Postale allows customers to transfer all or part of the interest from a Livret A account, Solidarity and Sustainable Development account (LDDS) or National Savings account (LEP) to an officially recognised public interest association. The donations can be given to charities involved in the fight against banking exclusion who are members of the "Initiative against banking exclusion" think tank. This service is very popular with La Banque Postale customers given that 75% of donors give 100% of their interest. This generosity is encouraged by La Banque Postale, which stands alongside any customer that invests in these bonds by paying each non-profit a top-up donation equal to 10% of the interest paid.

La Banque Postale's *Intérêts Solidaires* service was again awarded Finansol certification in 2019.

Three other solidarity-based savings products offered by La Banque Postale have also received **Finansol certification** and allow customers to use their savings to benefit organisations and people working in the Social and Solidarity Economy (SSE):

- ▶ **two solidarity-based investment funds:** these funds are managed by La Banque Postale Asset Management (LBPAM) and either offered to the public (LBPAM ISR Actions Solidaires) or companies as part of their save-as-you-earn schemes (FCPE Décisiel Responsable Actions 70 Solidaire). They share the fact that they both invest a portion of their assets – between 5% and 10% depending on regulations – in SSE structures that promote social and professional reintegration, sustainable farming or regional regeneration. By the end of 2019, a total of €11 million had been invested, through LBPAM, in three SDSE structures: France Active Investissement, Habitat & Humanisme and Terre de Liens;
- ▶ **one charity fund:** the third Finansol certified fund, LBPAM SRI Human Rights (formerly "Libertés & Solidarité"), gives part of its annual revenue or management fees to the International Federation of Human Rights (FIDH). Since it was created in 2001, over €3 million have been donated to this NGO, allowing it to continue its work to protect human rights around the world.

6.2.1.6.3 Responsible asset management

La Banque Postale is committed to responsible asset management by offering a range of socially responsible investment (SRI) options⁽¹⁾ to investors seeking to **combine sustainable development and potential yield**.

For this purpose, La Banque Postale Asset Management (LBPAM), the main asset management company of La Banque Postale Group, announced in April 2018 that it would convert all of its funds to SRI by 2020. This goal is the culmination of a long-term investment in SRI management and a commitment to making savings meaningful again. The strategy is intended to meet major challenges including global warming, the demographic limits of the social protection system and the breakdown between the financial markets and society.

(1) For socially-responsible investments, companies are no longer selected solely on the basis of their ability to generate profit, but also for their ability to preserve natural resources for future generations, improve the working conditions of their employees and develop balanced relationships with all of their partners. For socially-responsible investments, companies are no longer selected solely on the basis of their ability to generate profit, but also for their ability to preserve natural resources for future generations, improve the working conditions of their employees and develop balanced relationships with all of their partners.

This pioneering plan is governed by a three-pronged strategy:

- ▶ **invest in companies that act responsibly and are committed to a fair transition:** LBPAM analyses companies using a proprietary method known as GREaT;
- ▶ **exclude companies that pose a reputation risk due to poor sustainable development practices:** the Exclusion Committee is in charge of managing the reputation risk for all LBPAM portfolios. It excludes controversial companies and those operating in sectors such as coal, using an original policy specific to LBPAM;
- ▶ **choosing the SRI label for the entire range:** this exacting framework establishes strict principles for managers (volume thresholds, transparent conduct and reporting requirements). Compliance with these rules and overall management quality undergo on-site audits, ensuring the validity of the approach is independently verified.

The SRI methodology developed by LBPAM, known as GREaT, is based on four elements:

- ▶ **responsible corporate governance:** balance of power, fair distribution of added value, business ethics, tax accountability;
- ▶ **sustainable resource management:** well-being at work, human rights, protection for biodiversity, water and waste management;
- ▶ **economic and energy transition:** low-carbon strategy, adaptation to climate change, products and services consistent with long-term goals (renewable energies, sustainable agriculture and food, sustainable transport and mobility, green buildings, the circular economy, etc.);
- ▶ **regional development:** support for job creation and skills development in regions where branches are located, support for vulnerable populations, partnerships with local authorities and long-term balanced relationships with suppliers.

The SRI analysis of the LBPAM's teams aims to assess the alignment of the companies' strategies and practices with each of these four themes.

In order to bolster the credibility of its range and help it to stand out in an emerging SRI market, La Banque Postale has opted to apply the framework of the SRI label. Fifty-three funds managed by LBPAM received the **"ISR Public" label** between September 2017 and December 2019. Backed by the French ministry of economy and finance, this label is now the reference for SRI savings products for individual investors. It makes it easy to identify investments that promote sustainable development while targeting the same long-term financial returns as traditional products. The ISR Public label increases the transparency of the funds used by savers and institutional investors, and imposes a voting policy and commitment by companies in the portfolio to improve their ESG practices. It also provides information concerning the environmental, social and governance quality of the companies financed, thanks to ex-post indicators. These 53 labelled funds include the six funds from the "Conviction ISR" range, launched in 2018 for the network of La Banque Postale branches: LBPAM ISR Diversifié, LBPAM ISR Actions Euro, LBPAM ISR Actions Environnement, LBPAM ISR Actions Solidaire, LBPAM ISR Obli Crédit and LBPAM SRI Human Rights (formerly Libertés & Solidarité).

In addition, LBPAM has also started talking with issuers to encourage better ESG practices. LBPAM uses this approach,

dubbed *Engagement*, either individually or collaboratively, *i.e.* with other asset management companies, depending on the issue in question. This means LBPAM has a stake in several marketplace initiatives within the environmental and social spheres:

- ▶ **Access-to-Medicine:** an international investment network whose goal is to encourage pharmaceutical groups to promote access to medicines for people living in low-income countries;
- ▶ **Farm Animal Investment Risk & Return (FAIRR):** the goal of the FAIRR international investment network is to encourage agro-food companies to improve their practices with respect to animal welfare and nutrition;
- ▶ **the Tobacco-Free Finance Pledge:** launched at the United Nations, this initiative brings together private and public groups committed to reducing the use of tobacco around the world.

Each year, LBPAM publishes a commitment report on its dialogue with other companies on extra-financial issues. In terms of the SRI transformation project, this dialogue is set to intensify in the future.

Finally, LBPAM is an active shareholder and exercises its voting rights in the undertakings for collective investment that it manages, applying a single vote policy based on the assessment criteria of its "SRI philosophy". LBPAM took part in 530 Annual General Meetings of European and North American companies in 2019 (compared to 390 in 2018).

For further information on LBPAM's commitments, its methodology and voting policy, visit the web pages on this topic at www.labanquepostale-am.fr/isr.html.

Since 2010, La Banque Postale Asset Management (LBPAM) has stepped up its responsible practices by including environmental, social and governance criteria when selecting its market intermediaries. It uses a questionnaire developed by the LBPAM Sustainable Development Criteria Department and sent to all market intermediaries (*i.e.* the financial institutions with which LBPAM conducts market transactions). Over seventy-five institutions have received this questionnaire since 2016.

Apart from the actions taken by LBPAM, all the asset management subsidiaries in the Group's Asset and Wealth Management Division reasserted their commitment to integrating extra-financial criteria.

The United Nations **Principles for Responsible Investment (PRI)** underlie this commitment and have been signed by all the players concerned. Indeed, following on from LBPAM in 2009, BPE, the wealth management subsidiary of La Banque Postale, also signed in 2013. BPE has since been gradually incorporating extra-financial criteria into its asset management. At the end of 2019, 36.3% of the assets managed by the La Banque Postale network and 62.5% of those collected by the BPE network had been included. Finally, Tocqueville Finance, a subsidiary of LBPAM, also signed up to the PRI in 2019.

Moreover, to promote these responsible solutions externally, every year, La Banque Postale takes part in the Responsible Finance Week during which it offers its customers and advisors information and promotional materials for its SRI range. With respect to in-house **awareness**, advisors are trained in SRI funds during their initial training when they join the company. A special effort was made in the regional departments starting in the spring of 2018 to provide support for the sales campaign for the "Conviction ISR" product range. In 2019, the LBPAM teams undertook **133 SRI actions** with specialist advisors across the network, both in the regions and during training sessions at LBPAM's offices.

Applying ESG criteria can have a different impact on investment decisions and the composition of funds depending on the asset class, customers' expectations and the strategy adopted. In order to make a distinction between these different factors, SRI assets are therefore divided into two categories established by the

Association française de gestion (AFG - "French Management Association"):

- SRI funds;
- funds with other ESG approaches;

SRI funds

Consistent inclusion of extra-financial criteria in the management processes with a substantial impact on the composition of the investment universe or the portfolios. This category includes funds which have obtained the ISR Public label (labelled funds) or funds which implement an approach equivalent to that of the label (label-eligible funds).

Funds with other ESG approaches

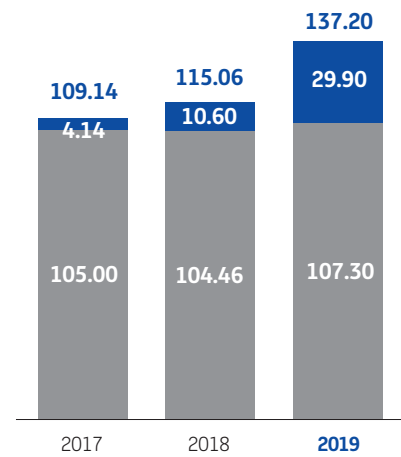
Consistent inclusion of extra-financial criteria in the management processes with a moderate impact on the composition of the investment universe or the portfolios. For example, the funds in this category exclude controversial activities, benefit from regular monitoring of non-financial ratings or promote the inclusion of non-financial criteria *via* the formal supply of analysis data.

One of the salient features of 2019 was the continuation of La Banque Postale's sales campaign launched across the network in June 2018. The campaign generated significant inflows, reflecting private customer interest in SRI. LBPAM ISR Diversifié, created in 2018, had assets in excess of €260 million at the end of 2019. LBPAM ISR Actions Environnement is another example of a commercial success for ISR funds, particularly theme-based ones. The fund is driven by the growing interest among private individuals and institutional investors in the climate. Thanks to market performance and highly dynamic inflows, this fund's outstandings increased by over 80% over the year, exceeding €350 million at end-2019. This fund is one of the few equity funds in France that has been granted the Greenfin label, a government-issued certification designed to use a portion of savings for the benefit of the energy and ecology transition.

Total sustainable assets under management rose by 19% over the year to reach €137.2 billion at end-2019, *i.e.* over 60% of total AUM. SRI assets posted the strongest growth, rising from €10.6 billion at end-2018 to €29.9 billion at end-2019, *i.e.* a 181% increase.

The increase in SRI assets was the result of several factors:

- the goal of gradually converting all open funds to a SRI approach, as announced by LBPAM in April 2018. By the end of 2019, 53 funds had the SRI label, making LBPAM the leading generalist manager by number of labelled funds.
- inflows resulting from La Banque Postale's sales campaign for the "Conviction ISR" product line,
- the creation or transfer of mandates and dedicated funds to SRI, following discussions with some institutional customers.



- Socially Responsible Investment (SRI) assets in € billions
- Funds with other ESG approaches in € billions

Total responsible outstandings √

√: indicator independently verified to a reasonable level of assurance.

6.2.1.6.4 Responsible insurance

La Banque Postale Assurance aims to offer insurance solutions that are consistent with its socially-responsible brand. Restorative by nature, insurance plays an essential role in the life of its customers, especially those who are most vulnerable. The aim is to develop simple solutions, designed to protect all its customers in the event of difficulties, and on a sustainable basis.

CSR evidence for insurance products:

In the medical insurance range

LBP Assurance helps **bridge the medical divide** by offering 10 telephone appointments as part of the individual top-up policy, and a second opinion service *via* the hard times health policy.

In the motor insurance range

Petit Rouleur low mileage insurance: drivers who travel less than 8,000 km per year get one month's premium free, in addition to the one month free for hybrid or electric vehicles: LBP Assurance encourages eco-friendly behaviour by championing low-emission travel. Taxi solution: for those not in a fit state to drive, LBP Assurance has helped cut car accidents among the under 30s. **Electric bike and scooter insurance:** LBP insures zero-emission vehicles.

In the home insurance range

LBP Assurance **encourages the growth of green energy** by providing accident insurance for renewable energy facilities, together with its *Allô Économies d'Énergie* (Hello Energy Savings) assistance service.

La Banque Postale also offers life event products for policyholders with a LBP home loan:

- ▶ monthly repayment cover for an LBP home loan if the home becomes uninhabitable following an incident;
- ▶ cover for any financial loss due to the forced early sale of the property following an unexpected event (e.g. redundancy, disability, divorce).

As well as **two types of cover designed specially for students** (included in comprehensive home insurance):

- ▶ recreational budget cover (reimbursement of instalments paid for one or more recreational activities if the student is unable to take part due to an accident);
- ▶ exam budget cover (a €3,000 lump sum payment if the student has to repeat a year of study due to an accident).

La Banque Postale has also established a new approach for **vulnerable and young customers**. For people aged 18-29 (students, young professionals, job-seekers), LBP Assurances will insure studio flats and two-room apartments at very low monthly rates for the first two years of the policy, with a fast-track subscription process. This innovation enables young people to be insured without being subject to the rate differences of geographical areas that are usually more costly.

Customer relations

The idea for **Proxi-client** came from internal discussions within La Banque Postale Insurance, with the goal of being more proactive when customers experience a major event. Aware of the vulnerability of customers following an accident or traumatic event, counsellors contact them to listen to them and establish their physical and mental state. Sometimes, the conversation reveals the need for the person to consult a psychologist. La Banque Postale Assurances provides this service free of charge through its specialist partner. This human gesture illustrates the civic-minded insurer approach. It goes without saying that there is no sales pitch or promotion of any kind whatsoever during these conversations.

In the event of serious flooding, La Banque Postale Assurances deploys its Natural Disasters Team to post office branches and offers support to victims in order to make the process easier. This scheme was put into action in October 2018 at the time of the floods in the Aude region, in July 2019 following the heavy hailstorms in Drôme, and again in December 2019 after the storms in the Var and Alpes-Maritimes.

In addition, the **Domi Clean service helps salvage property immediately following an event and make the home habitable as soon as possible while waiting for the loss adjusters**.

As part of these initiatives, in October 2018 La Banque Postale Assurances received the silver policyholder award in the Innovation Services category for its **Living** programme. The Living programme is a set of prevention, assistance and support services following exceptional events available all customers with a comprehensive home insurance policy. It includes an alert and prevention system

(weather watch), a proactive support system with geolocation of insured persons in weather-damaged areas, practical support in the event of an accident with a psychological assistance unit and a resale guarantee in the event that a property needs to be sold urgently.

6.2.1.7 Ensure systematic and rigorous management of extra-financial risks

6.2.1.7.1 Measuring the level of exposure to extra-financial risks

In addition to managing non-financial risks as part of its operational risk management (Chapter 6.1.2.2), in 2011 La Banque Postale adapted the non-financial risk assessment method for sovereign and non-sovereign counterparties developed by the SRI Department of La Banque Postale Asset Management (LBPAAM) in order to measure the ESG risk exposure of transactions out by the Corporate & Investment Bank, dealing as principal. In 2014, the annual measurements changed to half-yearly. In 2019, the method was updated to reflect the new SRI approach and apply the GREaT philosophy accordingly. The results at the end of December 2019 show a reduction in overall CSR risk exposure: for non-sovereign issuers, 88% of assets were invested in issues characterised by controlled extra-financial risk (*versus* 70% at the end of 2018). In addition, exposure to the highest risk securities in terms of SRI factors is nearing zero.

Overall, at the end of 2019, the risk score of non-sovereign issuers had fallen to 4.44 (vs. 4.84 at end-2017), on a scale of 1 to 10, 10 being the highest risk. In turn, sovereign issuers had a risk score of 5.15 (no change since end 2018), placing them at the same level as the two SRI funds invested in sovereign bonds at LBPAAM.

6.2.1.7.2 Applying extra-financial criteria to corporate and investment activities

In January 2016, La Banque Postale's Executive Committee approved the launch of a **Responsible Financing Charter** to govern the issue of corporate loans. The Charter stipulates that loan applications will automatically be rejected for a certain number of sectors, deemed too risky from an extra-financial point of view (gambling establishments, pornography, tobacco, nightclubs, the coal industry), as well as organisations and companies that have gravely and repeatedly been in breach of the law, codes of conduct or conventions (infringement of environment law, international codes and conventions, or fundamental rights at work). In 2019, the blacklist was extended to include applicants linked to deforestation.

In addition, La Banque Postale published a **Defence Sector Policy** designed to establish a framework for the Group's work with this sector, which poses considerable ESG challenges. The policy requires La Banque Postale to ensure that the bank's business does not include any commercial dealings with companies involved in the manufacture and sale of controversial weapons (anti-personnel mines or cluster bombs) or non-conventional weapons (biological, chemical, nuclear, depleted uranium, blinding laser and incendiary weapons). By the end of 2019, around forty companies had been blacklisted by La Banque Postale on this basis.

At the same time, La Banque Postale maintained a heightened level of vigilance in 2019 for a certain number of securities with **high non-financial risk** that breach international conventions and the principles of the Global Compact. These are frequently **controversial** and therefore do not align with La Banque Postale's CSR values.

In addition, in line with its desire to play an active part in the energy transition, La Banque Postale has decided **not to finance the development of fossil fuels**. As a result, the only energy projects financed by the CIB asset and project financing unit are renewable energy projects. Agricultural commodity funds are also excluded from the list of authorised financial instruments.

La Banque Postale also strives to prevent financial, legal and reputation risks caused by investing in jurisdictions known for a lack of regulation, transparency or cooperation regarding tax fraud, money laundering and terrorism financing. It has compiled a **list of at-risk countries** where it cannot carry out or participate in any commercial development.

Finally, since 2010, La Banque Postale Asset Management (LBPAM) has stepped up its responsible practices by including environmental, social and governance criteria when selecting its market intermediaries. It uses a questionnaire developed by the LBPAM SRI Research and Management Department and sent to all market intermediaries (*i.e.* the financial institutions with which LBPAM conducts market transactions). Seventy-five institutions have received this questionnaire since 2016.

6.2.1.7.3 Measuring exposure to climate risk

In 2019, the Group Risk Department continued to work with the Bank's CSR Unit to identify and analyse its sensitivity to climate change, in accordance with the recommendations of Article 173 of the Energy Transition for Green Growth Act.

La Banque Postale has notably updated the physical and transition risk exposure maps developed in 2016 as part of ongoing marketplace discussions with the ACPR and the Treasury;

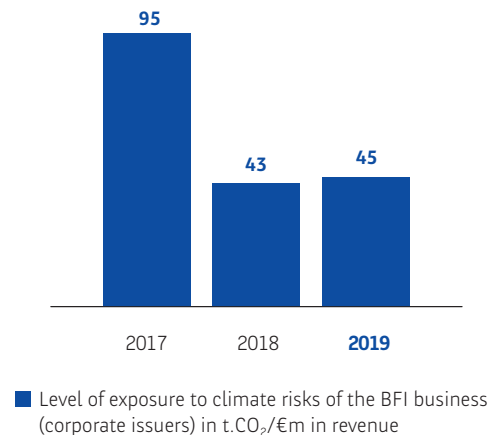
La Banque Postale also took part in several market working groups tasked with defining a gauge for marketplace exposure to climate risks.

Another way in which La Banque Postale measures its climate risk exposure is by using a methodology to measure the carbon intensity of its CIB (Corporate and Investment Banking) activity. By applying this method, developed by LBPAM, to corporate bonds, the Bank is able to control its exposure to securities with the highest greenhouse gas emissions. At the end of December 2019, the carbon intensity of "corporate issuers" was 45.4 tCO₂/€m of revenue (*vs.* 43 tCO₂/€m of revenue at the end of 2018). This figure is well controlled because it is correlated with the sector breakdown of the portfolio, which is heavily invested in the financial sector whereas industrial or energy sectors have far higher carbon intensity. The exercise also helped to identify the most carbon-intensive assets, focusing on players in the "coal" sector, and to inform any potential divestment discussions. At the end of 2019, the coal sector only accounted for 0.5% of non-sovereign issuers (*vs.* 0.75% at end-2018). None have been blacklisted on the basis of the coal policy.

Alongside these factors, in 2019 La Banque Postale continued the work begun the previous year to produce a methodology for

aligning its business trajectory with the goals of the Paris Agreement (SBTi work).

Finally, as well as the various commitments made by the bank (especially after adhering to the Equator Principles and the Principles for Responsible Banking) and in order to be in a position to comply with all regulatory requirements in this area, La Banque Postale's Group Risk Department embarked on a programme that should by 2020 culminate in a custom plan for managing climate risk across its entire portfolio.



6.2.1.7.4 Ethics: better risk management for business

La Banque Postale is determined to promote ethical and responsible behaviour in-house in order to confirm the relationship of trust it has with its customers, employees, markets and service providers and all of its stakeholders.

Raising awareness of ethics

A third awareness campaign was launched in 2019 following the distribution of the **new Code of conduct**. By the end of November 2019, 37,012 employees of La Banque Postale and the Financial Services Departments of La Poste, La Poste's Distribution Network, which is shared by La Banque Postale and the La Poste distribution Network, had received awareness training.

The Code of ethics was updated in early 2019 to include rules about harassment in the workplace, discrimination, competition law and the tax policy of La Banque Postale Group. This is in addition to the best banking, finance and insurance practices when dealing with customers, employees and third parties which are already included in the current code of conduct.

Employees therefore receive ethics training when they join the Company and throughout their career, thanks to training campaigns provided since 2006 on the rules of good conduct. This training covers the main principles and rules in operation at La Banque Postale and La Poste: respect for customer needs, banking secrecy and data confidentiality, prevention of conflicts of interest and compliance with the rules for using information systems.

As well as this training, the La Banque Postale Head of Ethics designs awareness campaigns, which are carried out by the designated Ethics Officers at each of the business lines and departments. The Head of Ethics also sits on various bodies (managerial communities, executive committees, special audit training, subsidiaries).

Professional accreditation

In order to comply with banking sector regulations, employees who work directly with customers must have various accreditations, in particular in the following areas:

- ▶ direct selling by banking and financial institutions;
- ▶ insurance;
- ▶ AMF certification for some employees.

In 2019, the proportion of eligible employees who had been accredited was 95, 92 and 91% respectively for each of these areas.

Ethics compliance monitoring

The Company uses a system for **detecting and monitoring malpractice and ethical misconduct**. A warning is generated if the system detects any professional breach or non-compliance with the code of conduct. The system notifies managers of any breach of the rules so that they may take the necessary measures. Several follow-up meetings were held in 2019 to check that actions were being correctly implemented following these warnings.

In case of a suspected breach of ethics or an incident, there is a **whistleblowing scheme and warning system** for escalating information to La Banque Postale's Head of Ethics. Reports may also be received by the compliance officers working in the La Banque Postale's various departments, subsidiaries and La Poste's Distribution Network. This warning system was updated in 2018 and is now hosted at a secure external site so that any warnings pertaining to corruption can be received with sufficient confidentiality. Whistleblowers have the right to anonymity and are protected by regulation.

With regard to governance issues, the cross-departmental Ethics Committee met eight times in 2019, chaired by the Head of Ethics. These meetings allowed the departments and business lines to discuss common issues, such as how to monitor cross-departmental ethical risks, action plans, training and new regulations, and how to share best practices. The Head of Ethics at La Banque Postale also sits on the La Poste Ethics Committee, a body that combines the heads of ethics of each Le Groupe La Poste's four business lines.

Stepping up the fight against corruption

In 2019, the Ethics and Anti-Corruption Division of the Customer Protection and Ethics Department devoted itself to monitoring implementation of the eight points of the system, in line with the Le Groupe La Poste principles: *Tous concernés – Tous vigilants – Tolérance zéro* (All involved – All vigilant – Zero tolerance). The goal

of the corruption prevention strategy is to monitor all areas concerned (risks, training, controls, codes of conduct, handling of alerts, due diligence of third parties, etc.).

The Anti-Corruption Committee, which encompasses all La Banque Postale Group entities (departments and subsidiaries), met twice in 2019 chaired by the Head of Compliance.

The whistleblowing system, which has been extended to include corruption warnings, is now accessed *via* an external website, with reports accessible only to the Head of Ethics and authorised employees.

La Banque Postale ensures that its suppliers also share its values regarding the prevention of corruption by having them sign a Responsible Purchasing Charter which underscores the importance of respect for human rights, labour rights and the environment.

In 2019, La Banque Postale, working with La Poste Group, continued and extended its work on producing a corruption risk map.

6.2.1.7.5 DPEF Preventing tax evasion

Finally, as a key player in the French economy, La Banque Postale **combats tax evasion** by strictly complying with the rules and preventive measures. As a French retail bank, it works nearly exclusively in France and does not have any branches in countries on the French list of non-cooperative countries and territories or on the European list of tax havens. At the very most, La Banque Postale has continued to operate to a very limited degree in countries where La Poste was already conducting business at the time La Banque Postale was founded. The proceeds from that business are fully taxable at common law rates is not subject to transfer pricing issues.

The tax affairs of all Group entities and companies are handled or controlled directly by La Banque Postale's Tax Department in Paris. This management is based on principles of stringent compliance with applicable regulations and remaining transparent with the authorities. The ESG checklist, which is systematically included in the design of all products and services offered to customers, includes criteria relating to tax evasion. The products and services sold by BPE, La Banque Postale's private banking arm, are reviewed to ensure that they don't encourage investment in non-cooperative countries and territories. La Banque Postale Group produce an official tax policy in 2018, which was incorporated into the Code of conduct when updated in 2019.

Furthermore, customer activities are monitored for regulatory compliance out as part of the **fight against money laundering, terrorism financing and fraud**. Measures are in place monitor international transactions between France and at-risk countries. This process generates alerts which are subsequently handled by a special tool. Over 100 people work in this area within the Financial Security Department. La Banque Postale does not offer complex tax optimisation products to its customers.

6.2.2 Commitment to employees

La Banque Postale is unique in the French banking landscape, as a result of its history, its human values and its capacity for growth. It puts its employees at the heart of its transformation strategy in order to achieve its growth, innovation and digitisation goals. It listens to and considers each of its employees, in the aim of motivating them to help achieve its growth, operational and financial targets. Increasing their skills and responsibilities is a necessary driver of change, in which they are both contributors and beneficiaries.

6.2.2.1 Supporting mobility and training employees

Given its momentum for transformation and to reaffirm its goal of building the “bank of tomorrow” with “the employees of today”, La Banque Postale is highly committed to the engagement, mobility and training of its employees.

6.2.2.1.1 Mobility and career development

La Banque Postale has for many years been implementing concrete measures to promote the mobility and career development of its employees. It places great importance on helping each employee achieve their professional goals throughout their career by encouraging the development of their skills. It is also particularly attentive to the possibility of re-assigning employees who want to change career path. This is one of the ways in which it respects its social model. It also develops actions to direct employees toward new roles to help drive its commercial growth.

A new skills database was created in 2017 to promote mobility and skills improvement and, since 2018, it has been used for the annual performance and career reviews of all employees. The goal is to develop a shared understanding between manager and employee of the skills expected of the latter's current position and their move towards other positions in the future. In 2019, the HR tools underwent further modernisation with the incorporation of personal and talent reviews for all employees in order to encourage inter-branch transfers.

In addition, the departments in charge of mobility and recruitment were pooled for all parts of Le Groupe La Poste in 2018, with the goal of promoting mobility and career growth, including between branches.

In 2019, La Banque Postale continued to implement its ambitious **internal mobility and recruitment plan**. A total of 4,000 positions were filled throughout the entire Bank and La Poste's Distribution Network, including both new jobs and replacements. Priority was given to customer service, with recruitment of 1,100 in-branch or remote customer service positions and 1,650 Retail Banking advisors. 70 corporate customer service roles were also filled (advisors and middle office). This recruitment and mobility drive also helped fill managerial positions (800 local commercial management vacancies filled) as well as positions for regulatory, IT and digital experts.

There are also specific social agreements to support and facilitate employee mobility.

Several agreements signed in previous years continue to promote mobility: the 2016 agreement on the role and career path of banking advisors, the 2016 agreement on the mobility of Banque Postale Group employees and the 2017 agreement on the requirements for the role of banking advisor.

6.2.2.1.2 Training

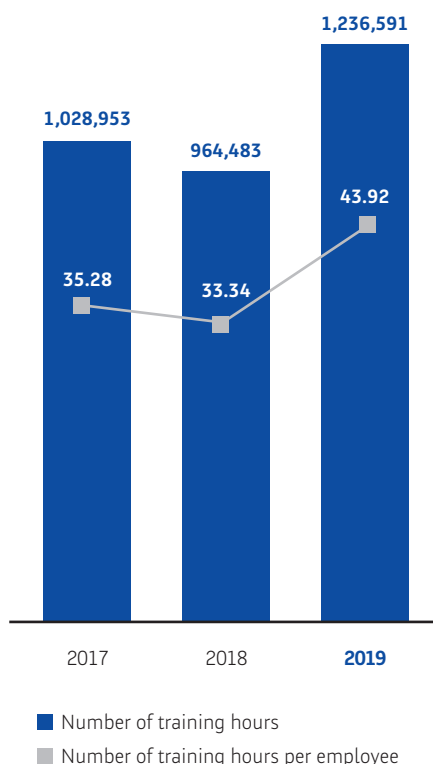
Lying at the heart of the “La Poste 2020: Conquering the future” strategic plan, the Ecole de la Banque et du Réseau (EBR) is a standard-setter and, as a school, it helps employees at La Banque Postale, Financial Services and La Poste's Distribution Network transform their jobs and careers. The EBR offers a range of courses to help prepare employees for the skills and jobs of tomorrow, taking into account their career path and personal goals: it is a “School for one and all”.

Qualicert certified since 2018, the School's primary focus is customer experience and it constantly innovates to ensure its courses are always as useful as possible. For example, it is currently rolling out a training needs analysis tool to help guide employees in their choice of development actions and ensure they can continue learning new skills for as long as possible.

In 2019, the EBR introduced multimodal, multichannel and personalised training methods in order to:

- ▶ support the Group's national transformation projects: training in new tools, new offers and products, new methods and new approaches to guarantee a more efficient sales service for our customers;
- ▶ develop skills on highly competitive markets: professional market, asset market, property market, insurance market, etc.;
- ▶ promote digital inclusion: the launch of *Vers un Réseau digital et humain* (Towards a digital and human network), an ambitious training programme for Network employees to encourage the use of digital tools and increase recommendations for the Le Groupe La Poste digital products;
- ▶ guarantee regulatory compliance: anti money laundering and terrorism funding, insurance accreditation, EU Mortgage Credit Directive, ethics, consumer credit – the Lagarde Act, Markets in Financial Instruments Directive, etc.

To guarantee individual satisfaction and collective success, these courses are provided using a range of learning methods. Classroom-based training has improved thanks to the creation of new rooms that encourage collective intelligence, active learning and creativity. Distance learning has diversified for a more interactive and collaborative learning experience (mobile learning using the U[K]now app, telephone-based learning, virtual classrooms, etc.). On-site training and development measures have been made easier thanks to the use of Signéo (paperless registration software), thus maximising the involvement of managers and experts in helping employees improve their skills.



In all, nearly 168,000 training days have been provided to employees of La Banque Postale, Financial Services, the Banking Advice Line and the subsidiaries. This represents approximately 1,200,000 training hours, or 43 hours of training per employee on average.

6.2.2.1.3 Youth employment, integration and training

La Banque Postale is particularly active when it comes to the **integration and training of young people** for work. Since 2013, to facilitate the integration of young people into the Company, managers have had access to a dedicated HR contact who helps them define their needs and manage the recruitment process. The HR contact oversees students as they join a team and makes sure they complete their tasks successfully.

La Banque Postale has consolidated its relations with the student sector: it has **35 partner schools**, including business schools, engineering schools and universities throughout France. The Bank was involved in over **37 events** at trade shows, forums, conferences, and even on examination boards. In this way, it raises the profile and appeal of its business lines and subsidiaries and helps students access the world of work.

For example, in 2019 it took part in two ANEDD events (National Symposium for Students of Sustainable Development) in partnership with the Toulouse Business School, and in two competitions in partnership with the EDHEC on the themes of business negotiation and innovation.

La Banque Postale had over employees on a 2,000 work-study programme as of 31 December 2019, on either an apprenticeship or professional training contracts with a level of education ranging from Bac+2 to Bac+5 for a term of one to two years.

6.2.2.2 A comprehensive and competitive remuneration policy

To meet its goal of accelerating its commercial growth, La Banque Postale has a human resources policy based on remuneration governed by the fundamental principles of fairness and transparency. It aims to recognise skills development, establish a link between employees and performance, promote loyalty and support career paths.

In 2019, La Banque Postale introduced two types of collective review for the first two employee levels (up to level SMIC-3, a salary equivalent to 300% the statutory minimum wage) and employees not reviewed for three years. In line with the announcements made by the President of France, and as part of the measure taken by Le Groupe La Poste, La Banque Postale decided to grant a special bonus to its employees (the Macron bonus) in 2019. Finally, the Banque Postale review found that the average annual rate of pay rise for female employees was higher than for men.

For 2019, La Banque Postale set aside a budget of €120,000 for promoting **gender equality, 20% more than the previous year**. This budget, for reducing the pay gap and ensuring equal pay for equal jobs, resulted in a pay rise for 95 women at La Banque Postale.

La Banque Postale also shares the fruits of its growth and performance in the form of **variable collective remuneration**: performance-related incentives and profit sharing. Performance-related incentives, which are calculated on operating profit and CSR score, reflect everyone's contribution and La Banque Postale's commitment to sustainable development (in 2019, La Banque Postale was among the top performing banks globally for the fifth year in a row). For 2019, the net salary and benefits aggregation scheme budget was €5.8 million. This was in addition to a profit-sharing budget of €3.4 million net.

La Banque Postale also gives its employees the opportunity to constitute medium or long-term savings *via* the **PEG (Group savings plan) and PERCO (collective pension savings plan)** schemes. To help them save, La Banque Postale contributes up to €1,300 gross per employee per year. In 2019, it contributed a net total €2.8 million. In 2019, nine subsidiaries had signed up to the La Banque Postale PEG and five to the PERCO scheme.

At Financial Services, the 2018 performance of Le Groupe La Poste allowed it to pay employees a net incentive under the salary and benefits aggregation scheme of €2.4 million. To encourage medium and long-term savings, Le Groupe La Poste gives its employees the chance to join a group savings plan (Group PEG) or collective pension plan (Group PERCO). The investments comprise at least 37% socially responsible assets. La Poste supports its employees' saving efforts every year by contributing up to €2,400 gross *per annum* to their individual investments. In 2019, the net total employer's contribution for Financial Services employees was €2.7 million.

6.2.2.3 Dialogue and employee relations

Since its creation, La Banque Postale has paid special attention to ensuring **high-quality employee relations**, based on trust and mutual respect.

In 2019, numerous agreements and amendments were negotiated and signed, some of which received the unanimous signature of the employee unions:

- ▶ a home working agreement signed on 29 January 2019 (unanimous signature);
- ▶ a salary measures agreement signed in February 2019;
- ▶ an agreement on employee representation at the La Banque Postale (CSE; Social and Economic Committee) signed in July 2019;
- ▶ an agreement on trade union rights and employee relations at La Banque Postale (unanimous signature);
- ▶ amendment 3 to the salary and benefits aggregation agreement signed in June 2019;
- ▶ pre-election Memorandum of Understanding ahead of the election of members to the CSE.

Other agreements have been finalised but not yet signed:

- ▶ an agreement on career paths and skills valuation for mandate holders;
- ▶ the professional equality, diversity and disability agreement.

These are in addition to previous agreements that are still in effect (PEG, PERCO, salary and benefits aggregation, profit-sharing, disabilities, optional collective welfare and health insurance, diversity, equality at work and cross-generation contract, training, constitution and functioning of the Group Committee, on-call work and working hour exceptions, working hours, electronic voting, etc.).

In 2019, the La Poste Financial Services continued to enjoy rich and healthy employee relations. Fourteen meetings were held at national level (nine social dialogue committees and five meetings of the Committee for monitoring the "Future of banking business lines" agreement (AMB 2016-2020)). In addition, there were many local meetings covering national projects.

Several major topics were shared in 2019:

- ▶ organisational changes (change to the Risk Management & Control stream; optimisation of "written" activities within customer services; outsourcing of the card blocking service; affiliation of the Borrower Insurance business; outsourcing of debt recovery; adjustment of the national distribution of inheritance flows, etc.);
- ▶ continuation of the programme for organising the working week at Financial Centres (over 110 items handled, affecting nearly 6,000 people, with over 40 agreements signed locally since the programme was launched in 2016);
- ▶ monitoring the AMB 2016-2020 agreement, including targets and commitments met or exceeded (promotions and certifying paths).

All these changes took place in a well-managed national and local social environment.

The standards of La Banque Postale's employee relations have thus been improving constantly since its creation: over one hundred collective agreements were signed between 2006 and 2019 by La Banque Postale and Financial Services.

Leading the way, La Banque Postale was among the first companies to have anticipated the introduction of a Social and

Economic Committee (CSE) (Macron Orders) and in 2017 set up a single economic and social committee (CUES), combining the works council (WC) and Health, Safety and Working Conditions Committee (CHSCT) under the Rebsamen Law of 2015. This early action resulted in high-quality discussions driven by a shared global vision of the potential of a single merged body and its role within the Company's operations, organisation and strategy.

In 2019, La Banque Postale held elections and set up a CSE in December. These elections, in which 3,191 were invited to take part, resulted in a new employee representative body. The turnout rate for these elections was 60.28% (vs. 57.22% in 2017). The La Banque Postale UES now comprises the following unions: CFDT, SNB-CFE-CGC, CGT and FO. CFTC and UNSA.

The employee bodies, especially the single Economic and Social Committee (CUES), were asked to examine many of La Banque Postale's projects in support of its strategic plan and development.

The CUES met 15 times in 2019, and the CSE has met twice since December, in addition to seven meetings of the Health, Safety and Working Conditions Committee.

The CUES held several other committees with management and employee representatives (social and cultural activities, information and housing assistance, professional equality, training, the economy, health and well-being at work).

In addition, "Strategy days" are now held every year to bring together the unions and La Banque Postale managers. The goal is to discuss how customer needs will change in the future and the transformations required. In 2019, there was a day of discussion on several topics: the purpose of La Banque Postale, human resource management, the digital transformation and non-banking diversification. This day and the subsequent work prompted by the discussions will all be used to prepare the La Banque Postale 2021-2030 strategic plan.

Of the cross-functional topics affecting both the Distribution Network and Financial Services, eleven meetings of the La Poste social dialogue commission (CDSP) and one committee meeting to monitor the agreement on the role and career path of bank advisors were held in 2019.

The CDSP meetings created an occasion in particular to present the social barometer for the Distribution Network and Financial Services, the launch of Ma French Bank (the Group's new 100% mobile bank) and the new structure of the Bank and Distribution Network's HR Department.

For their part, the follow-up commission meeting updated the unions on all of the actions implemented for banking advisors under the agreements covering their role and career path. This agreement has resulted in a payment of over €1.2 million to help bank advisers transfer to the Company's priority career paths. It has also meant the promotion of nearly 800 advisors as part of the changes to functional structures brought about under the agreement.

6.2.2.4 Promoting quality of life at work and employee well-being

6.2.2.4.1 An company which promotes quality of life at work

Based on the principles decided under the health and well-being at work agreement, La Banque Postale has initiated a new project to assess workplace risks and completely rewrite the single document in 2020.

In partnership with the health and well-being at work commission, a joint commission, work has been started to develop a dashboard with monitoring indicators to promote the improvement of health in the workplace and to prevent absenteeism.

Financial Services have been committed for several years to the deployment of a **policy for the prevention of occupational risks** through initiatives adapted to the actual work. An annual prevention, health and safety at work plan is implemented each year and presented to the Financial Services' national occupational Health and Safety Committee (CNSST). This body continues to monitor and propose prevention initiatives, while accounting for the human factor in projects.

The Distribution Network's "Quality of Life at Work" (QVT) Department undertakes experiments on work organisation and "working differently". The experiments are followed by the network's QVT observatory.

In 2019, the QVT Department increased its efforts to promote home working for the operating and regional departments. The goal is educational, in order to initiate change involving new working methods following requests from employees and internal organisational changes.

6.2.2.4.2 Prevention

In 2019, Financial Services adopted a new approach for assessing psychosocial risk, as part of the partnership between Le Groupe La Poste and ANACT (National Agency for Improving Working Conditions); key players (each entity's Management Committee, multi-disciplinary teams and the CHSCTs) have therefore received awareness training and a list of priority at-risk situations has been drawn up.

Again as part of its work to prevent and manage **psychosocial risk** and **lack of courtesy**, courses have been given to teach managers and employees who work on the telephone how to handle stress when faced with rudeness from customers. The deployment is completed with tools to fight and act against internal incivility.

Within the various Financial Services entities, new measures have been taken to prevent **physical problems and excessively sedentary roles, involving special events (awareness of working posture ergonomics, exercise, massages, etc.)**. Prevention officers and medical staff are the primary points of contact for how to set up IT workstations.

In order to improve the managerial culture around the prevention and treatment of psychosocial risks, the Distribution Network management is developing schemes based on participative management, involving a Work Life action plan which includes sections for improving working conditions, how work is organised, motivation and commitment, management, and job supervision and retention.

This plan encourages actions based on the Group's goals, together with innovations tested at volunteering entities, which will be made available to operational entities in the form of best practices in a QVT catalogue.

Managers also have a key role in primary prevention, for example by implementing basic risk prevention tools including a team analysis of at-risk situations and a search for collective solutions. The same approach is used for general accident prevention.

At La Banque Postale, every business line and entity undertook an occupational risk assessment in 2019 in preparation for the publication of an accident prevention plan. These assessments will be continued into 2020.

6.2.2.4.3 Actions to raise manager awareness

A quality working life is above all based on the ability of individuals to gain a sense of **professional fulfilment** at work, itself the fruit of an appreciative working environment. This philosophy of consideration in return for a willingness to commit is covered by the in-house **management courses**.

The managers' road maps incorporate a considerable number of indicators for measuring the reality of this commitment: social barometer and low absenteeism. Support measures help managers carry out their role: coaching, mentoring and mediation. These practices are developed to help them become aware of opportunities to modify certain behaviours: feedback, 360 degrees, discussion area about work, workshops, etc.

In addition, a **special mediation and support officer** inside the Operational HR Department of the Financial Services Division supports and advises managers and local HR teams on how to deal with complex individual situations and implement tailored solutions, such as individual support, reassignment or relocation, etc.

The **home working** agreement signed for the 2018-2022 period by Le Groupe La Poste also helps improve the work-life balance and reduce stress. At 31 December 2019, over 1400 employees of La Banque Postale and Financial Services worked from home, based on a relationship of trust with their managers.

2019 saw the continued use of **work discussion areas** (EDT – also called "Parlonzen") within Financial Services. The EDTs enable managers and their teams to build operational solutions for daily problems and to extend already existing best practices.

In 2019, the Human Resources Department of La Banque Postale, Financial Services and the Distribution Network carried out a quality of working life satisfaction survey among managers (excluding subsidiaries). Employees will not be surveyed again until 2020, since 2019 was used to implement the actions identified following the 2018 questionnaire. This **social barometer** provides information about changing perceptions of the quality of working life at each entity, and highlights areas for action such as improving the work-life balance, the working environment, recognition, management, etc.

6.2.2.4.4 Handling of individual cases

The Network QVT Department has used a system **for handling individual cases** since 2017. This initiative provides support for employees who are highly exposed to psychosocial risks, to absenteeism related to external violence, to significant changes and to increased inability to remain standing for long periods. The Prévilot project aims to install 1,000 units by 2020, 450 of which were fitted in 2019, and has allowed each sector to offer employees the chance to alternate between standing and sitting workstations, designed to **prevent physical problems** or manage known conditions.

The agreement on social priority branches introduces an additional measure for **supporting victims of abuse** who need longer-term psychological help than currently provided in existing contracts. Partners offering psychological support for victims of abuse following an attack have been asked to provide assistance with the most delicate situations over a one year term. This option is open to managers and HR employees, after speaking to the occupational health doctor.

6.2.2.4.5 Absenteeism

Work on the absenteeism project continued in 2019 *via* the sharing of best practices, awareness campaigns on the issue at all of the entities and completion of the return-to-work interview training for managers. This action is fully within the scope of the Le Groupe La Poste's "Bien dans son travail" project. The topic of accident assessment has also been covered at Financial Services, to encourage prevention and action. A systematic analysis is conducted after any accidents.

Financial Services continue to conduct human impact assessments for its transformation projects. This tool, deployed within each entity, makes it possible to further take into account work conditions during projects, through a multidisciplinary approach (occupational health services, preventive personnel, HR, social assistants, CHSCT (Committee for Health, Safety and Working Conditions, etc.) and with the active participation of employees and managers.

The prevention unit and occupational health services continue their work of accompanying employees and managers, and ensuring that work conditions are taken into account within their respective entities, in particular by the adapting of workstations and the organisation of working groups. In addition, the new professional training programme launched in 2016 for the whole of the HR sector was continued in 2019. The goal is to provide the life-at-work managers and prevention officers at the entities with new tools and methods to help La Poste's Financial Services improve working conditions.

In 2019, work to reduce absenteeism was based on deployment of the Quality of Working Life (QVT) action plan designed to encourage innovation thanks to the use of external providers (theatres, conference speakers) and sharing best practices between regional departments.

As well as this national dialogue, the entire HR stream has been trained in how to help managers assess absenteeism and build action plans that are as relevant as possible to the local situation.

A national project leader has been appointed at the Distribution Network to create, support and steer all actions.

6.2.2.5 Guaranteeing equal opportunity in hiring, careers and promotions

Respecting and promoting the principle of equal opportunity and equal treatment is something which applies to all company players, at all levels and at all stages of their working lives. As "a caring, socially responsible bank", La Banque Postale is committed to promoting diversity and equal opportunity, to give everyone access to its various business lines. It also pursues an employment development policy for people with disabilities, promoting their integration and ensuring their career development.

6.2.2.5.1 Diversity and disabilities: commitments and agreements

In March 2017, La Banque Postale signed a **fourth and new three-year agreement (2017-2019)** to encourage direct and indirect employment of disabled workers. In 2019, La Banque Postale continued the actions in place since 2008 in terms of recruitment, integration, training, retention and awareness-raising among different people within the Company. It renewed its partnership with the ESSEC and Institut d'études politiques de Paris in order to teach students and future managers about how to integrate disabled workers into the workplace. It also supposed disability awareness campaign for all parties involved, including a training session specially for managers.

For Financial Services, a **seventh La Poste Disability Agreement** was signed in May 2019. La Poste has strengthened its commitment to helping disabled persons stay in their jobs. This new agreement continues to prioritise employee retention. On the topic of **employee retention**, the synergy between occupational health services, HR teams and management is strengthened through the use of feedback and employee retention committees (required by the Le Groupe La Poste disabilities agreement). These commissions enable multi-disciplinary work. It also aims at pursuing efforts in matters of hiring persons with a disability, and turning to the adapted/protected worker sector. Moreover, the mobilisation to develop digital accessibility is being reinforced.

Proof of its commitment to diversity, La Banque Postale also signed an agreement on Diversity, Professional Equality and the Cross-Generation Contract on 7 November 2016. Aware of the problems caused by prejudice and stereotypes, La Banque Postale is dedicated to fighting all forms of discrimination. In particular, it offers diversity training to help employees better understand what diversity means and the challenges involved.

The **fourth Le Groupe La Poste Equality Agreement** was signed in July 2019. It establishes eight goals: guarantee equal gender numbers at all levels; offer equal career development opportunities; continue to combat ordinary sexism; increase actions to allow gender equality in all jobs; improve the sexism prevention schemes and measures for handling violent situations; continue the parenthood policies; continue the measures to protect a work-life balance; and guarantee equal rights for postal workers.

On 29 May 2019, a **new social agreement on youth and senior employment** was signed. It aims to improve young people's access to employment, the job retention of seniors and the intergenerational transfer of knowledge.

La Poste has signed the **Autre Cercle (Other Circle) Charter**, a charity which defends LGBT rights. The Charter will be implemented across Financial Services to demonstrate commitment to this topic.

In addition, on 18 May 2018, La Poste signed the Cancer & Jobs Charter created by the INCA, the national cancer institute. This Charter lists 11 commitments to improving support for employees affected by cancer and promoting health. It suggests principles and operating commitments that companies can use to establish a coherent approach to helping people with cancer stay in work for as long as possible, and return to work afterwards.

6.2.2.5.2 The diversity, disability and equal opportunity mission in action

To achieve its goals, the disability and diversity mission of La Banque Postale and the network of 29 Financial Services Disability and Diversity Officers carried out numerous actions and participated in many events in 2019.

As regards disability, the commitment to **recruiting people with disabilities** led, in 2019, to the recruitment of 5 people with disabilities at La Banque Postale and 14 in Financial Services. Actions were carried out with our partner schools (ESSEC, Sciences Po, EDHEC, Audencia, etc.) to raise awareness amongst students and future managers of the professional integration of disabled people and to help develop accessibility to knowledge.

La Banque Postale and Financial Services assisted nearly 924 disabled employees and implemented nearly **240 actions** in 2019 with a total budget of over €670,000.

The Disability Mission has also set up **awareness-raising** actions aimed at all employees of La Banque Postale to break down barriers and stereotypes linked to disability or its representation. In

2019, La Banque Postale continued its French Sign Language initiative. Managers and certain roles (HR managers and recruitment officers) have received special awareness training to help apply the disability policy as widely as possible.

Every year, 2019 included, La Banque Postale and Financial Services attend the national event for **European Disability Employment Week**. This underpins all of La Banque Postale's commitments to its employees. In terms of actions, the entities organise local forums with non-profits.

La Banque Postale and, for the first time, seven Financial Centres, took part in the DUO Day on 16 May 2019 to raise awareness about helping disabled people join the workplace.

Communication and awareness campaigns are also useful tools for promoting diversity. For example, the HR guide on parenthood provides information on existing systems, particularly for employees who are young parents. The caregiver guide is intended for family caregivers. La Banque Postale also conducts awareness campaigns for its employees. Training courses on diversity are in the training catalogue so that everyone has a good understanding of what diversity is and its challenges.

6.2.3 Commitments to society and the regions

The commitment of La Banque Postale's employees has made it a **trusted** and essential player for banking services in France. It reaffirms its identity around its unique character and its values as a **bank that works in the best interest of the community at large**. Its goal is to be an **engine for social and economic progress** by placing itself at the inflection point between individual and collective interests.

La Banque Postale sets a benchmark in terms of accountability and commitment. A successful and robust bank, it aims to be worthy of the trust of its customers and stakeholders by supporting their projects and participating in **regional development**.

6.2.3.1 DPEF: Encouraging growth and the energy transition in all regions

La Banque Postale has a responsible development policy with respect to its business customers, with its guideline being a few structuring, simple and clear principles stemming from its positioning as a "bank that works in the best interest of the community at large".

To better support the economy and avoid any regions becoming disinherited, the corporate business has increased not only its human resources but its organisational resources too. It now has 750 business managers, 35 "Social Economy" business centres, 8 "Local public sector" business centres, a local finance department and a Major Corporate team. This arm of the Company is now present in large regional cities (Bordeaux, Lille, Lyon, Marseille, Paris, etc.) as well as in smaller regional capitals (Arras, Avignon, Brest, Poitiers, Toulon, etc.). La Banque Postale promotes local economic growth in the regions, as a business bank and as an employer, by recruiting both men and women, who set up home in these same regions and bring them to life.

6.2.3.1.1 La Banque Postale, a leading bank in the local public sector

In 2019, for the third year running, La Banque Postale was leading lender for the local public sector, granting €15.7 billion to over 3,000 regional organisations (local authorities, social housing landlords, local public enterprises and health establishments). La Banque Postale continues to grow, its focus firmly set on upholding its values: a relationship based on transparency and accountability, equality-driven economic growth, and respect for the environment.

The leading lender to local authorities

La Banque Postale is continuing to finance many local authorities, of all sizes, across the country. In 2019, it continued to grant half of all loan applications to towns with fewer than 5,000 inhabitants.

In the middle of 2019, La Banque Postale went one step further and **launched its "Green" loan** in order to bolster its already strong support for the ecological transition of all communities, irrespective of their size or region. Beyond its traditional role as a banker, La Banque Postale investigated the viability of the project (waste recovery, energy efficiency of public buildings, "clean" transport) whilst also ensuring that the entire loan was used for the project on which the application was based. These "green" loans are refinanced by "green bonds" (issued by the SFIL), which are subject to reporting requirements involving a measurement of their positive environmental impact (CO₂ reductions). Around fifty green loans worth over €300 million were approved this year. The minimum loan value is €500,000, proof that La Banque Postale, in its determination to support the energy transition, is properly applying its accessibility policy, even for this type of funding.

La Banque Postale also provides training to help popularise recent reforms, working with regional mayoral councils. La Banque Postale also publishes studies (twelve in 2019) to help share its local financial knowledge. In total, La Banque Postale held ninety conferences which brought together a total of 2,500 elected officials from the regions, including rural communities.

Working to support regional social care

La Banque Postale supports social care via its subsidiary Domiserve, working in three areas: financing (issue of pre-paid CESUs, a way of paying for personal services), managing rescue plans and arranging personal services. Two years since it joined La Banque Postale Group, Domiserve has reached a milestone by becoming the country's leading agency (in number of departments that have chosen it as partner) for managing their rescue plans (old age, disability, parenthood). As well as issuing pre-paid CESUs, its social service support for its customers is tangible proof of its social impact: in 2019, Domiserve received over 370,000 calls from beneficiaries (often elderly people or carers), issued 8.5 million service hours in the form of pre-paid CESUs, and organised over 85,000 personal services (nearly 480,000 hours).

The leading lender for public hospitals and a major name in medico-social care for old age funding

The leading financial backer for public hospitals since 2015, La Banque Postale is dedicated to helping all players in this field (public and private hospitals, cooperatives, health and medico-social management agencies, independent healthcare professionals, mutual insurance companies). This year, it granted over €500 million in financing to public hospitals. In addition it also granted €260 million in medium and long-term loans to public and non-profit organisations which manage health and medical-social establishments. The loans were granted to finance the construction, acquisition or renovation of institutions for the elderly and the disabled or for the acquisition of medical equipment for healthcare establishments.

Its commitment as a banker that serves the local French economy and a leader in the medico-social sector culminated in 2019 in a partnership with the EIB allowing it to offer subsidised loans for target projects (construction, building renovation/construction, equipment, IT).

A long-standing partner of social housing associations

La Banque Postale is still the bank of 7 out of 10 subsidised housing operators, representing 90% of the social housing in the country (4.6 million homes). La Banque Postale strengthened its position in 2019 by increasing the volume of short- and long-term loans provided to landlords by 40% for a total of €7.2 billion, with Livret A assets reaching €3.9 billion.

As well as helping landlords meet the daily challenges of providing more social housing, renovating and refurbishing their properties, La Banque Postale offers special measures to their tenants, available in branch. Rents can be paid in cash (for certain financially-vulnerable groups) and social home ownership loans are available (to help modest income families own their own home).

Finally, to help this sector with its energy efficiency projects, La Banque Postale also offers an energy efficiency diagnostic service for buildings.

6.2.3.1.2 Long-standing partner of large companies and major institutions

As well as its role as a banker (account management, funding), La Banque Postale offers its "major corporate" clients services in line with the economic, social and environmental changes affecting our region. Therefore, in addition to traditional invoice payment methods (direct debit, bank card, cheque), energy companies can use several other services at La Banque Postale, such as the ability to pay in cash (directly at branches) and in "Energy Cheques". Likewise, La Banque Postale offers (via its subsidiary Domiserve) pre-paid CESUs whereby these large companies can help employees reduce the cost of personal services (childcare, home help, etc.). In this way, La Banque Postale Group is helping to increase home employment and make it more accessible, across the country.

The leading bank of welfare institutions, La Banque Postale handles the payment of half of all second-tier (compulsory) pensions in France. In 2019, for many of these parties, La Banque Postale Group also began to issue pre-paid CESUs and help with the provision of home help services.

La Banque Postale significantly increased its credit activity to large businesses in 2019, granting over €4.5 billion in financing, working credit, purchase credits, asset financing and project financing. Committed to supporting the energy transition policy in France, it plays a leading role in the financing of renewable energy.

6.2.3.1.3 Financing enterprise and entrepreneurs

Financing the growth of small and medium-sized enterprises and intermediate-sized enterprises (ETI)

Now a core part of its economic business, La Banque Postale, thanks to its extensive sales network and expert knowledge, continued to support the economic growth of SMEs and mid-size companies every day in 2019. Its loan outstandings rose by 60%. La Banque Postale has a 10% market share of the mid-size market.

In addition, aware of the need for climate action, La Banque Postale is resolved to supporting any ecological transition undertaken by enterprises. For example, in 2019 La Banque Postale co-arranged a €480 million syndicated loan for the construction of the Duo Towers (Paris). Thanks to the building's excellent energy performance (LEED® Platinum, Exceptionnel HQE®, Effinergie), this loan was "Climate Bond" certified and became the first commercial property loan to receive a green label in Europe.

Supporting entrepreneurs

Honouring its roots as a local bank, La Banque Postale relies on the quality of its customer service and knowledge of its employees. Nearly 500 business customer advisors work every day to support entrepreneurs (small businesses, skilled traders, merchants and freelancers).

In addition to its post office network, with the aim of increasing innovation, offering "remote" services to those who need them and making itself even more accessible, La Banque Postale is committed to digitalising its services. A year since launch, the "e-credit pro" platform has been updated to allow 100% digital loan applications. This has been a great success, with loan applications up by a third in 2019 and a twofold increase in approvals by La Banque Postale. Finally, to continue its commitment to supporting purchasing power, it created a special 100% online "auto-entrepreneur" offer in early 2019 at the rate of €9.80 per month.

Its dedication to the success of entrepreneurs can also be seen in its various partnerships: ADIE, SIAGI, France Active, Réseau Entreprendre (Enterprise Network) and Assemblée permanente de la chambre des métiers et de l'artisanat (Permanent Assembly of the Chamber of Small Business and Trades). With these agreements, La Banque Postale hopes to introduce concrete, useful regional actions, such as mutual support for project drivers, mutual sharing of local initiatives, and meetings on finance and transmission. Finally, to improve its understanding of consumer trends, La Banque Postale has created a retail barometer called *Regard des français sur leur centre-ville: opinions et attentes des français des villes moyennes* (What the French think of town centres: opinions and expectations for mid-size towns), which will continue to be used throughout 2020.

Supporting the actions of non-profits

The social and solidarity economy is a job creator. It is also the creator of bonds throughout the country. La Banque Postale has based its long-standing relationship with this type of organisation on strong community values. It listens to charities and has developed special solutions to help them achieve their goals.

La Banque Postale continues to be a rightful partner of the social and solidarity economy, with one in every four associations as a customer. The specialist advisors at its business centres support the 5,000 biggest associations (foundations, education, charities, NGOs), whilst smaller associations can visit branches or call the Agence Pro.

La Banque Postale maintains ongoing relationships based on trust with large charities (Secours populaire, Secours catholique, Emmaüs, Restos du cœur, AFM, etc.). Thanks to its special relationship, La Banque Postale is close to the assistance systems which benefit citizens.

Thanks to its network of post office branches and its subsidiary Goodeed, La Banque Postale helps associations receive donations for their charitable and humanitarian causes (*Pièces jaunes*, *Téléthon*, etc.). It wrote a cheque for €600,000 for the AFM-Telethon, the amount it had fundraised from retail customers over the year.

6.2.3.1.4 A commitment to crowdfunding

La Banque Postale also supports the collaborative economy, especially crowdlending. In July 2017, La Banque Postale took over **KissKissBankBank&Co** (KKBB) in a 100% buyout, and now owns the KissKissBankBank platform which receives donations for creative, community and cultural projects, as well as Lendopolis, a remunerated loans platform. At the end of 2017, it added Goodeed to this group of platforms, which specialises in free donations to NGOs and charities. These acquisitions are in line with La Banque Postale's digital development strategy and its wish to offer community-minded products and services that meet the new expectations of its customers.

Since then, the crowdlending offers of these three platforms have been gradually rolled out within La Banque Postale. Over 70 KissKissBankBank events for presenting and raising awareness in crowdlending took place in 18 months across France to "popularise" this new form of funding locally. Over 1,000 people took part in these conferences. At the same time, courses were held to train financial advisors about the offers available via KissKissBankBank. KissKissBankBank has collected over €100 million since it was created, for funding over 21,000 projects.

La Banque Postale has supported over 130 of these projects via its *Coup de Coeur* scheme which each month funds 50% of a community-oriented project voted for by the public via the bank's Facebook page.

In turn, **Lendopolis** grew strongly in 2019 (+148%), boosted by its Renewable Energy (ENR) Division. This remunerated loan platform collected over €25 million in 2019 for funding mainly energy transition projects in France, making Lendopolis the market leader for ENR crowdlending. This offer has been gradually rolled out to BPE clients since May 2018, then to corporate clients of La Banque Postale since the start of 2019 with a certain degree of success.

Goodeed, the donation platform where people can support the solidarity projects of NGOs and charities simply by watching adverts, has supported over 220 charitable projects since its launch and raised nearly €1.5 million for solidarity and environmental projects.

Finally, La Banque Postale has continued to support **Social Cup**, France's first award for social entrepreneurs created with KissKissBankBank and MakeSense, and supported by GRDF for the past two years. The sixth edition of the event saw nearly 3,000 students compete in the 12 participating cities, suggesting nearly 200 innovative social-enterprise projects. 12 projects were selected for the final, which took place in Paris in February 2020. These 12 finalist projects received a financial allowance from La Banque Postale for their first crowdfunding campaign launched on KKBB. La Banque Postale encourages entrepreneurial spirit and the growth of the collaborative economy.

6.2.3.2 DPEF: A committed procurement policy for suppliers

La Banque Postale has a three-pronged **responsible purchasing policy** that it introduced in 2009:

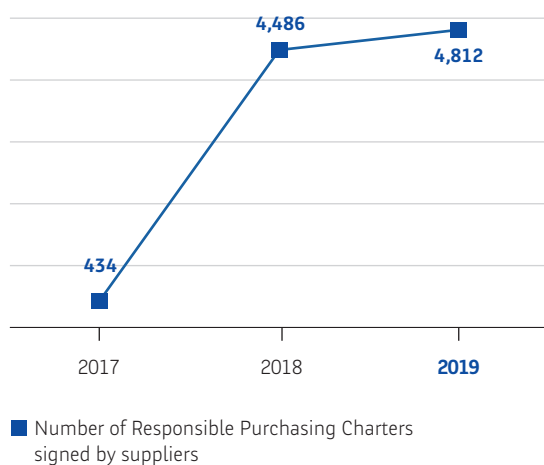
- ▶ a Responsible Purchasing Charter for suppliers;
- ▶ making La Banque Postale's calls to tender accessible to small and medium-sized enterprises;
- ▶ including extra-financial criteria into the supplier selection and monitoring process.

6.2.3.2.1 A Responsible Purchasing Charter

La Banque Postale's Responsible Purchasing Charter must be accepted by the supplier every time a new contract is signed or, for existing contracts, after each steering committee meeting. It raises the awareness of La Banque Postale's suppliers about its CSR policy. Suppliers agree must to comply with current regulations, which are formally presented in the Charter. The document encourages them to initiate their own CSR approach. Implemented in 2009 and first updated in 2014, the Charter was again updated in 2018 for deployment in early 2019.

The Charter is one of the factors enabling the Bank to respect its due diligence obligations with respect to the companies that make up its value chain. In signing this Charter, the supplier undertakes to:

- ▶ comply with the 10 principles of the **Global Compact** and the eight Fundamental Conventions of the **ILO** (International Labour Organization);
- ▶ develop within their enterprise a management system and working conditions respectful of **human dignity and workers' rights**;
- ▶ **comply with social and environmental regulations** by establishing practices (transport policy, recyclability criteria, end waste management, etc.) for themselves and their subcontractors.



Le Groupe La Poste implemented a new computer system for Group purchases in 2018. It includes a shared supplier base, and is linked to the legal documents and Responsible Purchasing Charters *via* Provisis. This approach required a complete rework of information, and all suppliers of Le Groupe La Poste (irrespective of whether they are La Banque Postale suppliers) were asked to approve the Charters of La Poste and La Banque Postale. As a result, the number of suppliers that has approved La Banque Postale's Responsible Purchasing Charter increased significantly from 2017 to 2018, from 434 to 4,486. In 2019, the number of Purchasing Charters signed had risen significantly to 4,812.

6.2.3.2.2 Extra-financial criteria for assessing risk and selecting and monitoring suppliers

Every La Banque Postale purchaser must ensure that **social, societal and environmental criteria** relating to the service being purchased are included in the consultation requirements and during the supplier selection process.

There is also ongoing discussion with specifiers to improve supplier specifications and ensure that services are in line with the CSR policy of La Banque Postale.

Depending on the purchasing category, environmental and social concerns represent in general **10% of the global weighting** when assessing tenders.

The CSR Unit, in collaboration with the Purchasing Department, has created a package of **tools to raise awareness of and promote discussion on** the challenges, risks and opportunities of deploying a responsible purchasing approach. The package includes an analysis guide for CSR issues, risks and opportunities in relation to purchasing; a CSR form for each purchasing category; an information poster and an intranet section on to responsible purchasing.

This **guide** suggests ways to mitigate legal, social, environmental and societal risks, and also to improve the positive impact of the purchase on various levels:

- ▶ **social**, e.g. the inclusion of employees with disabilities by taking into account accessibility when purchasing IT software;
- ▶ **societal**, e.g. regional development by buying from the social and solidarity economy;
- ▶ **environmental**, e.g. improvement of quality of life at work by buying a partition to reduce air pollution; the introduction of an electric vehicle for mail shuttles between locations;
- ▶ **economic**, e.g. the possibility of developing a competitive advantage for a La Poste product or service through an evaluation of the suppliers' variants.

In order to meet the regulatory obligations of the Sapin II law and the law on the duty of vigilance, La Banque Postale has implemented a number of elements which are described in the following paragraphs.

In 2018, the La Banque Postale Purchasing Department took part in a study with other banks to define a **CSR risk map** by sector and by supplier country. This solution, now available from La Banque Postale, allows the Purchasing Department to view a "CSR risk" score for each of its suppliers, by sector and by country. The country risk for La Banque Postale is low because all our suppliers are based in low-risk countries. As regards sector risk, the most at-risk segments are waste processing and works.

In addition to this tool, the ACESIA solution with Le Groupe La Poste enables suppliers to conduct self-assessments, in particular if they have a CSR policy. These **self-assessments** may be accompanied by a **document audit** or even a **site audit** by an external auditor.

6.2.3.2.3 Tenders open to the protected sector and SMEs

Contributing to the indirect employment of disabled people

La Banque Postale's gross purchases from the **disabled and protected employment sector** (EA and ESAT) totalled €992,400 with VAT in 2019, up nearly 8% compared to 2018.

The Purchasing Department, with the support of specifiers, is always identifying new services from the disabled and protected employment sector that can be put to tender. Services such as printing, intersite shuttles or catering or the use of translation services are in part reserved for this sector, and competitive bidding reserved for the ordinary sector.

Purchases from small and medium-sized enterprises is constantly increasing

In order to allow small and medium-sized companies to access to calls for tenders, La Banque Postale is careful to:

- ▶ reduce the risk of financial dependency by measuring dependency rates;
- ▶ subdivide calls for tenders so that micro and small and medium-sized businesses in very specialised sectors can tender directly and not as co-contractors or subcontractors.

The volume of purchases made by La Banque Postale from **SMEs** is growing consistently. It increased from €138 million before tax in 2018 to over €162 million before tax in 2019.

A study carried out in 2018 and 2019 with the Le Groupe La Poste Societal Commitment Department and an independent firm showed the **employment impact** of La Banque Postale's purchases. Overall, the study shows that through its purchasing, La Banque Postale supported over 24,800 jobs in 2018, *i.e.* 16% more than in 2017.

6.2.3.3 DFEF Promote employees' civic commitment

6.2.3.3.1 L'Envol, La Banque Postale's campus

La Banque Postale is committed to **societal sponsorship** to prepare for the future through **equal opportunities**. In 2012 it therefore created an association under law 1901: "L'Envol, La Banque Postale's campus". This association embodies both the bank's values and those of Le Groupe La Poste and actively involves its employees by encouraging their civic commitment.

Since launch, this initiative has been supported by the Ministry of National Education, which renewed its partnership in June 2019. Its goal is to **promote the schooling of young, talented students** from low income families from around France (rural and urban), including the overseas departments. It provides individual assistance, from the time they start high school until they enter higher general, technology or professional education (skilled trades) and/or they start to work.

To assist students to receive a diverse education and excellent training, L'Envol runs two programmes for pupils and students: the "general and technology" and the "career path" programmes which have common objectives but are tailored to the specific nature of the course:

- ▶ the **"general and technology" programme**, which started in 2012, sponsors 60 students each year from high school (third to last year students) through to graduate level (with three years of graduate studies on average), in partnership with the charity Article 1;
- ▶ each year the **"career path" programme**, launched in 2015, sponsors a class of 45 students who have chosen superior vocational sectors (catering, metalworking, art and fashion), from the final year of secondary school to Bac+3, in partnership with the association Réussir Moi Aussi.

The sponsorship programme strives to be complete and consistent in order to develop talent in all its forms, foster **diversity in superior educational/career pathways** and contribute greater social openness. To accomplish this, it helps young people explore six dimensions: their relationship with their studies, with the future, with other people, with themselves, with the world, and with commitment.

Since it was created, **L'Envol has sponsored 684 students**, *i.e.* six "general and technology" classes and four "career path" classes.

All La Banque Postale and Le Groupe La Poste employees can volunteer for the **mentors' community**. From 2012 to 2019, **915 employees** from La Banque Postale and Le Groupe La Poste volunteered for the **mentors' community**. Since 2017, new mentors participate in a day of training under the training plan before being allocated to mentor a young person. 150 mentors were trained in 2019. In 2019, mentors provided nearly **7,500 hours of volunteer work**.

Regional mentors have been appointed to pass on the work of L'Envol and support the community of mentors in each territory.

L'Envol has been recognised and won many prizes since its launch, including the *Trophée France Mécénova*, the *Cachet d'Europe* and the *Trophée National de l'Entreprise Citoyenne*.

Over the 2018-19 academic year, L'Envol gave **729 hours of English and general culture training in a virtual classroom** for small groups, and **3,350 hours of school support**, up 17% on the previous year (**61 young people in the general stream and 30 from the career stream benefited**). High school students wanting to apply to medical school, Sciences Po and other prestigious universities benefited from 28 intensive prep courses for the entrance exams. 10 Baccalaureat prep courses were also held.

Because having a student budget is essential, L'Envol works in **partnership with La Finance pour Tous** and offers students financial education workshops, as well as material support on a case-by-case basis. This year, equipment and financial aid was provided to 103 young people worth the equivalent of €45,000.

To encourage promotion, **each year L'Envol organises 10 major gatherings** directed at students based on their year of study.

All these actions encourage the students to succeed in their studies: 98% of students on the 2019 general programme passed their Baccalaureate, 77% of them with honours ; and 97% of students in the career programme also passed, 88% with honours.

For the first time, the Campus vers le Sup (an event for recent graduates and postgraduate students) was entirely shared by students in the general and career streams. This amazing synergy was well received.

In order to give back what they have received from L'Envol and provide support for the younger students, the students that have come to the end of their mentor programme created an alumni association called **"L'Envol Alumni"**. They regularly attend the gatherings in turn as facilitators for younger people.

6.2.3.3.2 Promote skills volunteering

At the end of 2017, La Poste's Distribution Network resumed the **skills volunteering** programme launched by La Banque Postale and La Poste's Distribution Network. We have not stopped since.

50 new employees expressed an interest in this programme in 2019 following an internal campaign to recruit volunteers in spring.

Our desire to extend this programme to overseas departments can be seen in the appointment of local representatives.

In 2019, 26 June was Solidarity Commitment Day, a chance to meet our partners and volunteers, share experience and discuss issues. Two of our new partners, who signed up following our call for projects in 2018, discussed their challenges and their projects with the participants: La Ligue de Protection des Oiseaux en Aquitaine, which supports birdlife and biodiversity in Aquitaine, and La Jeune Chambre Economique Française, the Youth Chamber of Economy which incubates general interest projects to help identify the human potential of tomorrow. We also support the Strasbourg association Handisport Passion Aventure, our third partner from 2018 which offers sporting activities for disabled people. The employees behind these projects can ask their colleagues to join them as volunteers.

We are also continuing our long-term partnerships with Les Missions Locales, Entreprendre Pour Apprendre (Learning through Enterprise) and La Finance Pour Tous (Finance for All), as well as four other non-profits ADIE, Passerelles & Compétences, Face and Unis-cité.

Over 250 employees from La Banque Postale and the Distribution Network now take part in this skills volunteering programme.

6.2.3.4 Respecting and defending major international commitments

As a subsidiary of Le Groupe La Poste, which has been a signatory to the **UN Global Compact** since 2003, La Banque Postale upholds the principles set forth by the Global Compact regarding human rights, labour standards, environmental protection and the fight against corruption.

In France, the employee training sessions on business ethics cover the **fight against corruption** (see *Management of Extra-Financial Risks*). In addition, La Banque Postale ensures that its suppliers share its values by having them sign a Responsible Purchasing Charter, underlining the importance of respect for Human Rights, Labour Standards and the Environment. In 2018, La Banque Postale, together with Le Groupe La Poste, completed its risk map and research for the Group Vigilance Plan, in order to ensure compliance with the **Duty of Vigilance for Parent and Initiating Companies Act** (see section on *A committed procurement policy for suppliers*).

As proof of its commitment, in its February 2017 survey on business and human rights, the ratings agency Vigeo-Eiris ranked La Banque Postale in first place among French banks and in third place among French companies from all sectors.

6.2.4 Commitments to the planet

In terms of its environmental policy, La Banque Postale implements simple, concrete, consistent measures which contribute to the protection of the environment. With this policy, its goal is to reduce the direct environmental impact of its employees' travel and its IT systems, and to limit the indirect emissions linked to its products. It also works to foster a circular economy for its resources and to control its water consumption. Outside, it takes part in promoting biodiversity ("Commitments to the Planet" indicators can be found in the CSR indicator section).

6.2.4.1 DPEF La Banque Postale is committed to fighting climate change

As part of its environmental policy, La Banque Postale is committed to managing and reducing its direct and indirect impact on the environment. Specifically, La Banque Postale has set itself the goal of a **20% reduction in greenhouse gas emissions** by 2020 compared to 2013, in order to contribute to the fight against climate change. It hopes to achieve this goal by targeting its main sources of emissions: buildings and information systems (IT), employee travel and paper consumption.

In order to arm itself with the necessary resources, La Banque Postale is deploying the **energy management system (EMS)** used by Le Groupe La Poste since 2016. An ISO 50001 certified EMS will be introduced at the start of 2020 and will form the basis for the coherent convergence of all the Group's energy transition actions. The "Sustainable Development and Energy Management" days organised by Le Groupe La Poste in 2018 and 2019 provided an opportunity to introduce the EMS to all employees. This initiative illustrates the Bank's structural commitment to Energy Transition. All of the Bank's sites are involved in the deployment of this EMS.

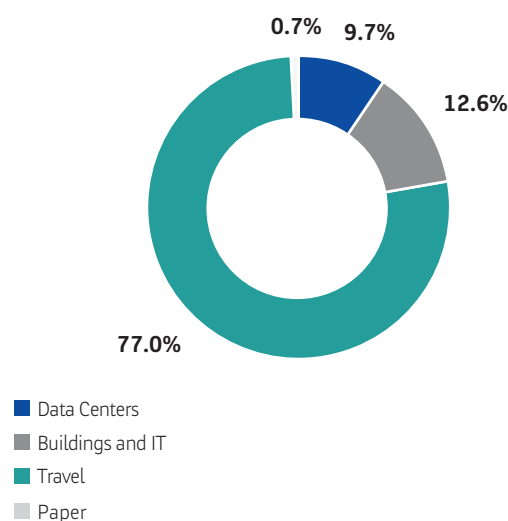
To ensure that the La Banque Postale's emissions reduction target is relevant and in line with the ambitions of the Paris Climate Agreement signed during the COP 21, La Banque Postale signed up to the "**Science Based Target**" (SBT) initiative in 2017. It actively participates in a market working group led by the WWF, the co-founder of the SBT, whose goal is to define financial sector guidelines for establishing reduction pathways, as well as in projects steered by the SBT secretariat designed to test the methodologies that will apply to the financial sector as of 2020.

6.2.4.1.1 Reduce the La Banque Postale's direct carbon footprint

Aware of its impact, La Banque Postale intends to reduce its direct greenhouse gas emissions from buildings, IT systems, employee travel (business and commuting), and paper consumption. In 2019, the carbon footprint of its main emissions sources was

63,593 tonnes of CO₂, compared to 65,973 in 2018⁽¹⁾. La Banque Postale has continued to reduce its overall carbon footprint (-4%), notably thanks to a decrease in the electricity consumption of its buildings (-14%), vehicle fuel consumption (-12%), employee train travel (-17%) and plane travel (-16%) and employee commutes (-12% excluding Ligne Conseil Bancaire - LCB, "the Banking Advice Line").

WEIGHT OF FOUR MAIN SOURCES OF EMISSIONS
IN LA BANQUE POSTALE'S CARBON FOOTPRINT
(EXCLUDING LCB)



6.2.4.1.2 A Carbon Fund to reduce its environmental footprint

La Banque Postale launched its first "Carbon Fund" in 2015 to take concrete action to mitigate its greenhouse gas emissions. This is an **internal mechanism that monetises La Banque Postale's carbon footprint** in order to internalise the cost of this external negative. A total budget of nearly €1.82 million for the first four rounds of the Carbon Fund made it possible to finance **internal projects** for reducing reduce the Bank's emissions. **External projects** with high environmental added value were also developed in the country and internationally for the 2019 round. This budget is calculated on the basis of the tonnes of emissions generated by the Bank's three main emission sources – transport, buildings & IT and paper consumption (internal and external).

(1) These figures include emissions from the Banking Advice Line and take into account the purchase of 100% renewable electricity.

Financing for internal projects developed by employees

Calls for tenders are launched every year for **internal projects**, with winners selected on the basis of several criteria including economic profitability and the potential reduction in carbon emissions. The 55 projects which have already been financed by the five rounds of the Carbon Fund since 2015 are directly involved in achieving La Banque Postale's goal of reducing its greenhouse gas emissions by 20% by 2020. Examples include energy efficiency renovations for buildings, awareness campaigns on sustainable development in partnership with NGOs and non-profits, and the deployment of fleets of electric bicycles and scooters. Innovative pilot projects were also financed, including the installation of a solar water heater, an energy recovery unit for a refrigeration system and solar panels to supply some of a building's electricity, planting a green roof for a company canteen and a ride-sharing platform for employees who commute. Based on forecasts, the projects financed since the Carbon Fund was launched in 2015 have the combined potential to eliminate almost 3,500 tonnes of CO₂ emissions by 2020.

Financing for external national low-carbon projects

La Banque Postale, one of the first banks to have set up a Carbon Fund, is also the only one to date to have included financing for **external environmental projects** in France. Since 2015, it has funded, working with the Mail-Parcels-Services (Service-Courrier-Colis) Branch of Le Groupe La Poste, innovative pilot projects as part of the "Climate + Territories"⁽¹⁾ programme in France.

Under this programme, La Banque Postale and the BSCC have since 2015 funded four forest projects for the forestation, reforestation and coppicing in the Massif Central region in partnership with the Massif Central public interest group and the CNPF (National Forestry Centre). Of these four projects, three received the **Bas Carbone Label**⁽²⁾ in November 2019 and January 2020 for a 30-year period; the fourth project should receive the label soon. Once the site and document audits are completed, these pilot projects will be the first in France to generate carbon credits and should cut greenhouse gas emissions by over 3,000 tonnes CO₂. In this way, La Banque Postale is helping to introduce local sustainable forestry management and new practices, which create jobs and protect biodiversity.

In 2016, La Banque Postale also financed the "Agr'eau" agro-ecology programme⁽³⁾ run by the Association française d'agro-foresterie (French Agro-Forestry Association) in the

Adour-Garonne basin and in 2017, the Ferme laitière bas-carbone⁽⁴⁾ (Low Carbon Dairy Farming) programme in partnership with the Centre national interprofessionnel de l'économie laitière (National Inter-Professional Centre for the Dairy Sector) in the Grand Ouest and Grand Est regions. La Poste's Distribution Network adopted this same approach in 2017 by financing a forestry project of the ONF (the National Forestry Office) in the Hauts-de-France region. In 2018, the Bank decided to support the Carbocage project which hopes to measure the storage potential of sustainably managed hedges in Pays de la Loire and Brittany, and experiment with a local carbon market. Finally, in 2019, La Banque Postale helped finance a forestation project in Vaucluse designed in particular to reduce the risk of fires in the Luberon Regional Park.

Financing external international projects for La Banque Postale's complete carbon neutrality

Since 2018, the Carbon Fund has also financed two **carbon offsetting projects** in line with international certification standards. The first project, *Madre de Dios*, is intended to preserve the Amazon forest by supporting sustainable forestry in Peru. The second one, called *Gandhi*, aims to develop wind energy to improve the energy mix and air quality in India.

In 2018, La Banque Postale reached another milestone in its policy to combat climate change by becoming **one of the very first banks in the world to announce that it was fully carbon neutral** across its operational scope, including its subsidiaries and taking into account employee business travel and commutes.

A balance sheet that allows a sixth Carbon Fund

Building on the success of this programme, La Banque Postale has launched the sixth round of its Carbon Fund. The call for tenders for the 2019 Carbon Fund was launched at the end of 2019 to all employees. Since the launch of the fund in 2015, the **increase in the social cost of carbon from €7 to €10.50 per tonne** has made it possible to use the same financial package, despite the decrease in emissions by La Banque Postale. Moreover, reinforcing the mechanism yet further, La Poste's Distribution Network joined La Banque Postale in this approach in 2017. This new Fund promotes projects that foster energy efficiency at post offices where around 50% of activities are dedicated to the Bank's business lines. This commitment by La Poste's Distribution Network allows the Bank to offer an effective mechanism to promote the reduction of its environmental footprint across the whole of its banking, financial services, subsidiaries and Banking Advice Line activities.

(1) The purpose of the Climat + Territoires programme is to support innovative socio-environmental projects in France, with a threefold objective: improve local environmental performance, encourage adaptation to climate change, and create value in the territories

(2) Created by the Ministry for the Ecological and Solidarity Transition, the Bas Carbone (low carbon) label is a national voluntary carbon certification scheme in line with the government's goal of making France carbon neutral by 2050. The idea is to support the ecological transition at local level by offering financing opportunities to local projects designed to reduce emissions. Le Groupe La Poste's support for these projects in France was a key factor in the creation of this label, available since April 2019.

(3) This project aims to increase plant coverage using agroforestry techniques. This type of farming, which promotes water-efficiency and soil regeneration and creates jobs, is used by 150 farms invested in the project and promoted by 25 partner structures.

(4) In use at 20 farms, this project supports agricultural practices that help reduce greenhouse gas emissions and increase carbon storage.

6.2.4.1.3 An energy performance policy for its buildings

In 2019, the share of greenhouse emissions related to building energy consumption accounted for less than one third (29%) of the Bank's total carbon footprint. La Banque Postale and its main landlord, Poste Immo, are committed to various structuring actions and real estate projects which concretely reflect the **building energy performance** policy. The policy, overseen by La Banque Postale's Real Estate Department is based on the following three main axes:

1. Promoting energy savings renovations:

La Banque Postale's Real Estate Department orders, on a regular basis, thermal insulation work for its premises, roof repairs, regulation of heating systems, the replacement of obsolete climate control systems and of boilers and the installation of LED lighting with movement detectors in communal areas.

In addition, La Banque Postale was also able to identify energy emission-reducing actions that will feed into its 2016-2022 energy performance policy thanks to 11 energy audits (Daddue Act, 2015) over more than 70% of the direct energy bill of La Banque Postale SA.

2. Optimise the energy efficiency of real assets on a daily basis:

► Since May 2016, **100% of the electricity purchased by La Banque Postale has been from renewable sources**, thanks to the guaranteed origin scheme. This decision ties in with the commitment by Le Groupe La Poste to the **RE 100 initiative**. Studies are under way to develop self-consumption sites. In addition, purchasing procedures are being researched as part of the Green Corporate Power Purchase Agreement, in direct collaboration with green energy producers. In 2019, La Banque Postale was able to prevent the emission of 4,623 tCO₂ thanks to this scheme.

► La Banque Postale works on a daily basis with its landlord Poste Immo to implement the **Green Lease** approach to its buildings. This approach aims to improve the environmental quality of buildings and reduce operating expenses thanks to sustainable use and management. It involves making occupants more aware of eco-friendly behaviour, optimising building equipment and ensuring all renovations incorporate energy performance by default and by design. This approach was rolled out in 2019 to the 31 most energy-consuming buildings occupied by La Banque Postale. These buildings are covered by the Environmental Schedule (leases for office and commercial premises greater than 2,000 m²) and/or fall within the scope of the Tertiary Charter signed by Poste Immo. The Green Lease approach covers much of the scope established by Decree 2019-771 of 23 July 2019 on the obligation to take action to reduce final energy consumption in buildings used by the tertiary sector. This law sets consumption reduction targets for tertiary buildings larger than 1,000 m², with deadlines in 2030, 2040 and 2050.

► The **CUBE 2020** competition is one of the actions set up as part of the Green Lease approach. This competition is organised by the IFPEB⁽¹⁾ (French Institute for Building Performance) and aims to encourage companies to reduce the energy consumption of their buildings. La Banque Postale, represented by Poste Immo, has taken part four years running and will be on the starting blocks for the fifth event on 1 January 2020. Last year, several postal sites were rewarded, having achieved an average energy saving of 12%. For example, the Limoges Mas Loubier site, which is partially occupied by La Banque Postale, cut its energy consumption by 29.4% and reduced its greenhouse gas emissions by 70.9% over the competition period, winning it first prize in the GES general ranking.

► An energy intelligence consultant for the real estate sector, **Sobre Energie** helps private companies and public organisations with their energy transition by using technical tools and data measurements, producing new guidelines and actioning change by all parties involved (occupants, customers, suppliers). The solutions suggested by Sobre Energie are fully aligned with the various aspects of energy transition, namely consumption and budget management, occupant awareness, CSR policy and regulatory compliance. Their solution was deployed via the Group's Energy Management System (EMS), first at 309 sites in 2019 including 29 La Banque Postale sites at which sensors were fitted, and will be rolled out more widely in 2020.

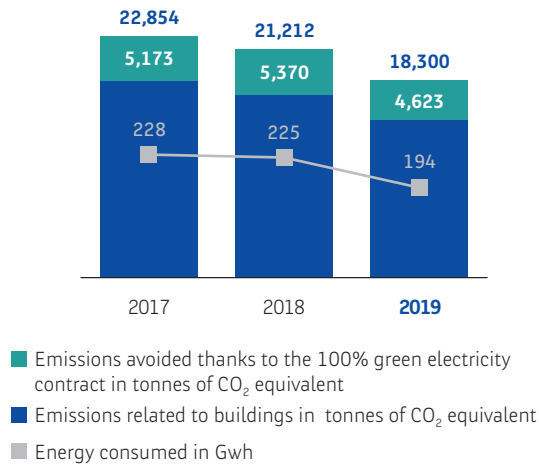
3. Encourage employees to adopt eco-responsible behaviour:

La Banque Postale conducts multiple awareness campaigns every year in the head offices and throughout the country thanks to its CSR Officers. They work to raise employee awareness of environmentally-responsible behaviour by running campaigns on environmental practices, manning information kiosks and organising themed exhibitions.

Successful actions

The actions carried out as part of the building energy performance policy have enabled La Banque Postale to contain its greenhouse emissions from its buildings over the past years, despite the growth of its business. La Banque Postale's CO₂ emissions from buildings fell by 55% between 2013 and 2019. The per employee reduction is also positive, with a 52% reduction in CO₂ emissions per employee in 2019 compared to 2013. In 2019, building emissions totalled 18,300 tCO₂ equivalent (down 14% compared to 2018) across the most exhaustive scope available at this time, i.e. covering 12 subsidiaries and including emissions caused by the banking activity (Banking Advice Line) in post offices. This reduction was achieved largely thanks to the policy to purchase 100% renewable electricity for the majority of La Banque Postale buildings from 2016.

(1) Institut français pour la performance énergétique du bâtiment (French Institute for Building Energy Performance).



In 2016, La Banque Postale staggered its **reduction targets**, in line with its 2016-2022 strategic plan:

- ▶ 5% reduction in 2017 (figure achieved - 5%);
- ▶ 10% reduction in 2018 (figure achieved - 12%);
- ▶ 15% reduction in 2020;
- ▶ 20% reduction in 2022.

6.2.4.1.4 A Green IT performance policy for its IT equipment

The energy efficiency assessment revealed that the share of electricity consumption attributable to IT equipment was between 40% and 50%.

The carbon footprint of all computer equipment has been measured since 2013 across Le Groupe La Poste, thanks to the “Green Argile” software package.

In 2019, 131,648 items of equipment were assessed (a 3% increase)⁽¹⁾, representing an environmental impact⁽²⁾ of approximately 10,774 tCO₂eq. (up 8% vs. 2018). However, the computing architecture is currently decentralised, and the actions launched in recent years continue to bear fruit because despite the system having increased in size by 5%, its environmental impact has actually fallen by 6.5%. This can be explained by the Data Centres, with a 90% increase in environmental impact for a structural reduction of nearly 25%. This is because we have replaced much of our architecture with much more powerful equipment in order to cope with upgrades to our software, an increase in customer services, the use of in-house information systems at some of our subsidiaries⁽³⁾ and a plan for virtual front and back-office workstations. In the medium term, these decisions are consistent with our desire to minimise our “equivalent CO₂” impact. In other words, we need to have fewer machines, because the manufacturing process has the highest impact, and concentrate intelligence in the servers so that we can convert our decentralised system to single terminals.

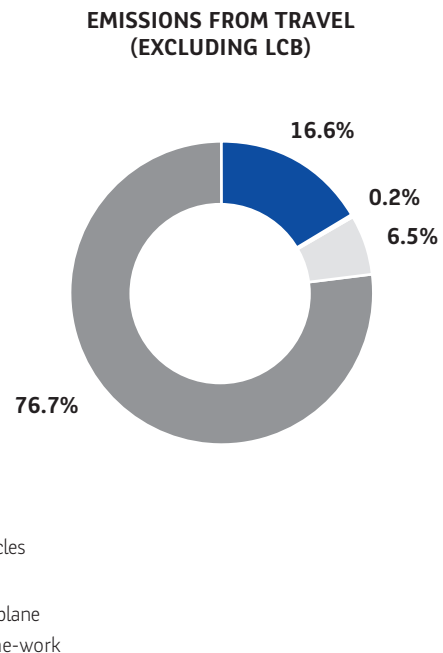
In parallel to a responsible purchasing approach to IT equipment and services, the Department in charge of the Bank and

Distribution Network's IT systems (DSIBR - la Direction des services informatiques de la banque et du réseau) has established a Green IT action plan, based on an analysis of the carbon footprint from equipment under its responsibility. All desktops and laptops at La Banque Postale purchased since 2012, which are being gradually replaced, are EPEAT eco-labelled and now account for 75% of all equipment. With respect to monitors, 80% are EPEAT eco-labelled. As for printers, having decided in 2014 to purchase only Energy Star labelled equipment, in 2019 La Banque Postale decided to switch to the Blue Angel label. Currently 5% of all printers carry this label. However, with the introduction in 2019 of secure printing using the Watchdoc tool, a campaign will be launched in 2020 to retire most of our office printers.

Finally, continuing the work begun in 2018 with a company from the “disabled workers sector” in order to promote the reuse of discarded equipment, there has been steady improvement with a 41% recovery rate for discarded equipment (vs. 34% in 2018).

6.2.4.1.5 A responsible mobility policy for employees

In 2019, the share of greenhouse (GES) emissions related to employee travel accounted for nearly 66% of La Banque Postale's carbon footprint. La Banque Postale has taken various measures designed on the one hand to reduce the number of journeys made by employees, and on the other hand to encourage them to take the most environmentally-friendly modes of transport. The responsible mobility policy applies to business travel (rail, air and road) and employee commutes. In 2019, the emissions from these journeys broke down as follows:

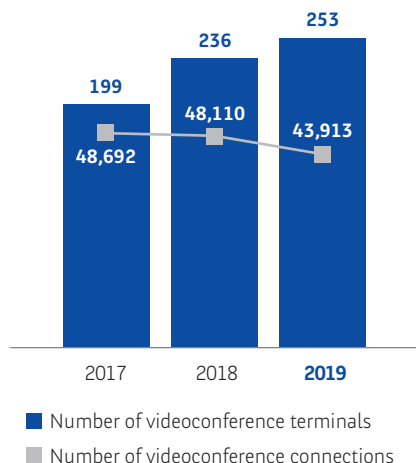


(1) The analysis covers the following categories: monitors, televisions, video projectors, mainframes, UPS, storage systems, desktops, laptops or all-in-ones, servers, multifunction copiers and other printers, scanners, fax machines, branch exchanges, hubs, firewalls, network routers and switches, WiFi hotspots, landline telephones, smartphones and tablets.

(2) This figure for the environmental impact of the IT equipment, excluding Data Centres, is included in the calculation of our buildings-based greenhouse gas emissions. Data Centre emissions are included in the calculation for the total carbon footprint of La Banque Postale.

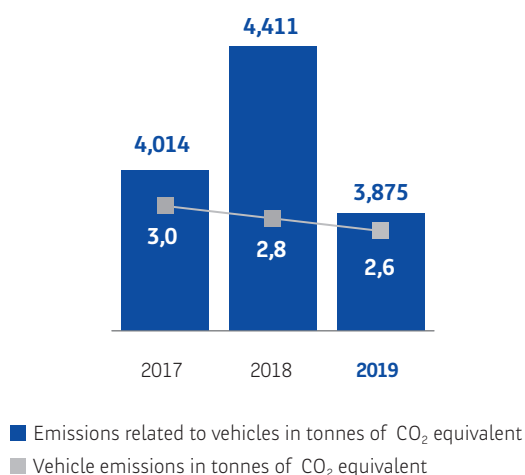
(3) Ma French Bank (MFB) and La Banque Postale Financement (LBPF).

La Banque Postale is installing **videoconferencing** terminals in its buildings to make it easier to talk to employees and hold meetings whilst reducing the need for business travel. Since 2011, 253 videoconferencing terminals have been fitted in La Banque Postale's head offices, Financial Services and certain subsidiaries. The number of connections has remained consistently high, reaching 43,913 in 2019 thus reducing the need for employee travel.



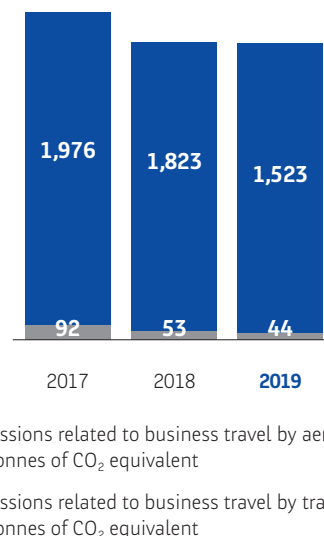
The **development of home working** as part of efforts to improve the work-life balance also helps limit the impact of business journeys (see the Commitments to employees section, Well-being at work paragraph)

The size of **La Banque Postale's vehicle fleet** has fallen by 5% (1,507 vehicles in 2019 vs. 1,594 in 2018). This reduction was accompanied by changes in the types of engine used across the fleet. Petrol engines will now be the first choice for all replacement vehicles. This has helped cut emissions by 12% (4,411 tCO₂eq in 2018 vs. 3,875 in 2019). In addition, the tCO₂eq emitted per vehicle fell by 7%.



Vehicle-related emissions (excluding Ligne Conseil Bancaire LCB - "the Banking Advice Line")

La Banque Postale's **travel policy** provides guidelines for what mode of transport employees should use, depending on the destination. It encourages low-emission transport i.e. by train for all travel in mainland France, apart from exceptional circumstances. Air travel is strictly for overseas departments or other countries. In 2019, employee train journeys accounted for 44 tCO₂eq (vs. 53 in 2018) and air travel accounted for 1,523 tCO₂eq (vs. 1,823 in 2018). Between 2017 and 2019, the CO₂ emissions from air travel decreased by nearly 23%, while those related to rail travel decreased by 52%.



To encourage **the use of eco-friendly transport**, 42 bicycles, 35 of which are electric, as well as one moped and 4 electric scooters are now available to employees at the financial and national centres, in addition to charging points where they can recharge their own electric bicycles, and at the head offices of La Banque Postale, starting with the Bords de Seine II office. The winner of the 2015 Carbon Fund, it was the first head office to be given 8 electric bicycles in 2016 for business and private use. All the Village La Poste sites (Lemnys, Brune and Crossing) have had electric bicycles since 2016 to encourage green travel between sites.

Thanks to the employees who answered the **home-work survey** during the 2019 Mobility Week, La Banque Postale was able to calculate the emissions from employee commutes across its entire scope. In 2019, these emissions totalled 36,609 tCO₂eq⁽¹⁾. For the first time in 2019, this survey gathered responses from employees at the Banking Advisory Line, and its calculation method includes employees who work from home and part time. The result was a more accurate and realistic estimate of La Banque Postale employee commutes in 2019. The figures show that, on a like-for-like basis (excluding the Banking Advisory Line), the number of kilometres travelled by La Banque Postale employees fell by 8% between 2017 and 2019, from around 150 million in 2017 to 137 million in 2019. The fact that home workers and/or part-time employees have been included since 2019 has pushed down the distance commuted. In general, there has been an increase in cycling (+17%) and a slight fall in the use of cars (-8%) by employees between 2017 and 2019.

(1) These emissions were extrapolated to 2018 and 2017 in order to produce a year-on-year comparison of the total carbon footprint of La Banque Postale across an identical scope.

The survey is conducted every two years and will therefore be repeated in 2021. These figures reflect the efforts made by La Banque Postale to encourage its employees to adopt environmentally-friendly modes of transport, and allow it to calibrate the effectiveness of its emissions reduction actions. In order to reduce the impact of travel by La Banque Postale employees, **awareness campaigns are also conducted during the year**, especially during European Mobility Week. Many events were again organised at national and regional entities by the CSR Officers for the 2019 week, including bicycle repair workshops, test drives of electric transport (electric bicycles, the Renault Zoe, electric scooters, etc.), promotion of car sharing (**mainly via advertising of platforms and inter-site challenges**), multisport activities, city centre guided tours, etc.

6.2.4.1.6 A responsible paper consumption policy

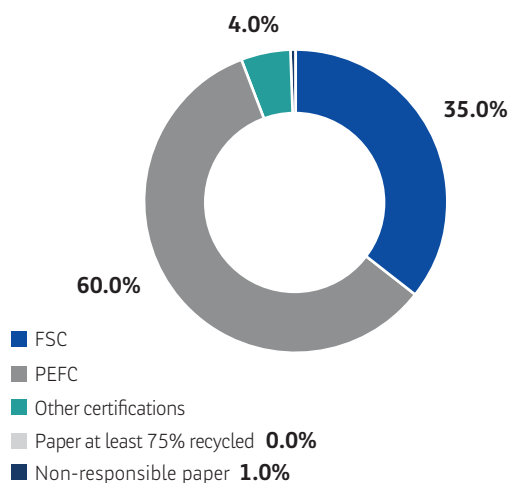
Of the 6,988 tonnes of paper consumed in 2019 (vs. 7,188 in 2018) i.e. a decrease of nearly 3% over the entire scope of La Banque Postale:

6% of paper was consumed internally, the equivalent of 15.6 kg per employee;

94% was consumed externally (sent directly to customers, marketing) and represented 0.62 kg per active customer.

In 2019, the **portion of “responsible” paper**, in other words, recycled or sourced from sustainably managed forests, was 99.3%.

**DISTRIBUTION OF PAPER BY CERTIFICATION TYPE
(EXCLUDING LCB)**



LBP scope, Financial Services, Subsidiaries

Total paper consumption fell by 23% between 2013 and 2019 after the Banking Advice Line was added to the reporting scope for paper in 2013⁽¹⁾. The decrease over this period was primarily due to a 20% drop in “external” paper consumption for customers and communication thanks to a paperless policy (e.g. online statements), and a 52% drop in “internal” paper consumption, notably thanks to greater awareness and accountability of

employees concerning paper consumption. Since 2014, till receipts have not contained any bisphenol A.

6.2.4.2 **DPEF: Manage the environmental footprint of its products and services**

6.2.4.2.1 A responsible refinancing policy

On 15 April 2019, La Banque Postale successfully issued its first green bond for €750 million with a 10-year maturity. The funds raised through this issue will be used to refinance projects in the renewable energies sector (onshore/offshore wind and solar farms) in Europe, mostly in France.

The issue was oversubscribed by a factor of 3.3 by over 130 different European investors, most of which are responsible investors.

The allocation and impact report, verified by an independent auditor, will be published annually and will allow investors to see how the fund is being allocated and assess the environmental impact of their investments.

The projects refinanced by this green bond will help achieve the United Nations Sustainable Development Goals No. 7 (clean affordable energy) and No. 13 (climate action).

La Banque Postale hopes to become a regular issuer on the social, sustainable and green bond market, thus reaffirming its commitment to overcoming environmental and social challenges.

6.2.4.2.2 Reducing the carbon footprint of portfolios

La Banque Postale's goal is to manage the indirect greenhouse gases connected to its products (see the section on Commitment to customers, paragraph Designing and proposing a responsible product and service offering). In 2017, La Banque Postale signed up to the **Science Based Targets** initiative (SBTi) in order to help reduce the carbon footprint of its portfolios. It has since actively participated in working groups for establishing a measurement methodology to allow the financial sector to set its reduction pathways. LBPAM and the Risk Department are supporting the CSR Unit with this work, which will continue into 2020.

La Banque Postale Asset Management (LBPAM) has helped calculate the carbon intensity of about 5,000 businesses, with the aid of an environmental impact database. An essential step for the improved **integration of the efforts to combat climate change in investments**, this information is made available to all LBPAM's fund managers.

To better assist customers on these topics, notably with respect to Article 173 of the law on energy transition for green growth (LTECV), LBPAM implemented a portfolio analysis and reporting tool for measuring three indicators: the carbon intensity of each portfolio (invested in equities or corporate bonds), the exposure of the portfolio to companies linked to coal, and the portion of the portfolio invested in energy transition solutions (companies which have at least 20% of their business linked to environmental solutions and “green bonds”).

(1) Allocated to “external consumption” i.e. correspondence sent directly to customers and marketing.

As regards the particularly high levels of greenhouse gases emitted by coal, LBPAM introduced a special policy for this type of fuel in 2019. It is designed to exclude companies linked to the coal sector (mining and or power generation) which have not published a clear strategy for closing or converting their existing assets within the deadlines established by the IPCC for limiting global warming to 1.5°C (2030 for OECD countries, 2040 for China, 2050 for the rest of the world). Companies are excluded irrespective of the percentage of their turnover generated by coal. Elsewhere, LBPAM is seeking commitment from companies for which there is insufficient public information to determine whether their strategy is compatible with the 1.5 °C target. The NGO Friends of the Earth has welcomed this policy and recognises its ambition.

Moreover, **supporting the energy and economic transition** is one of the four analysis criteria on which LBPAM bases its SRI philosophy. LBPAM's SRI analysis thus looks at the exposure to climate change of each company and its ability to face environmental challenges. These criteria (carbon exposure, carbon intensity, current and future fossil fuel exposure, integration of the energy transition strategy in the Company's strategy, products and services that deal with climate change, etc.) aim to measure how companies are exposed to transition risks (legislation, carbon price, etc.).

Other projects support this ambition:

- ▶ the creation of a **thematic fund dedicated to the energy transition**: the LBPAM ISR Actions Environnement fund invests on the European markets in environmental themes, notably climate action. This fund's assets under management increased by more than 80% in 2019;
- ▶ investments in **"green bonds"**: since the end of 2013, LBPAM has implemented a special methodology for valuing these bonds. The assets invested in green bonds by LBPAM – in funds open to the public and in funds reserved for certain customers – totalled **€4.4 billion at end-2019** (vs. €2.6 billion at end-2018), i.e. an increase of 69% over the year. LBPAM created a green bond in 2019, which will be available to the public and professional clients in 2020. Like the LBPAM ISR Actions Environnement, this bond will be of interest to customers wishing to use their investment to help finance the energy transition.

Within this framework, LBPAM has proven its commitment to the energy transition by associating itself with various marketplace initiatives:

- ▶ in 2015, LBPAM joined the IIGCC (Institutional Investors Group on Climate Change), a forum whose mission is to change investment practices by encouraging the adoption of public policies promoting transition towards a low carbon economy and the development of solutions for adapting to climate change;
- ▶ in 2015, LBPAM also signed the Montreal Carbon Pledge, thereby undertaking to measure and publish the average intensity of its equity portfolio investments;

- ▶ in 2018, LBPAM publicly provided its support to the Task Force on Climate-related Financial Disclosure (TCFD). Created by the G20, this working group has issued recommendations concerning what climate-related information companies should share to help investors take good financial decisions;
- ▶ in 2018, LBPAM joined 12 other investors who meet at **Cambridge University** to find sustainable and green finance solutions with the help of university students. This group considers climate factors in its research, in particular the question of resilience and alignment with climate scenarios;
- ▶ in 2019, LBPAM signed up to the **Green Bond Principles**. These voluntary guidelines were developed by the ICMA (International Capital Market Association) to promote best practice on the green bond market. LBPAM hopes to be an active contributor to the development of standards for this market.

In accordance with Article 173 of the LTECV, LBPAM publishes an annual report on its website **regarding its contribution to the fight against climate change⁽¹⁾**. The report includes indicators for measuring the average carbon intensity of its portfolios, the exposure of LBPAM investments to climate risks and to companies linked to the coal industry, as well as the investments made by LBPAM in solutions that facilitate energy transition. The calculations are carried out for equity funds open to the public and for open funds invested in corporate bonds.

6.2.4.3 Promote the emergence of a circular economy

6.2.4.3.1 Contribute concretely to the dynamics of the circular society

DPEF Offer paper and card recycling via the Recygo solution

Recygo, a company created by SUEZ and Le Groupe La Poste, is an illustration of the commitment to the energy and ecology transition. This **office paper and card collection and recycling service** is offered by the Mail-Parcels-Services Branch.

The principle is simple: the paper is collected directly from the offices by the postal worker. It is then taken to Nouvelle Attitude and the La Poste subsidiary Recygo, both of which are work-integration social enterprises. Nouvelle Attitude then sorts the paper in order to maximise recovery, before sending it to local paper recyclers across France.

In line with the Group and its CSR policy, La Banque Postale has been using the Recygo paper service at its financial and national centres since 2013.

At the end of 2019, 19 financial and national centres were signed up, as were the Bords de SeineII and Bourseul sites. In 2019, Recygo was used to collect 765 tonnes of paper for recycling, i.e. 17% more than in 2018 (652 tonnes collected in 2018).

(1) Report published in June 2019, available at: https://www.labanquepostale-am.fr/media/publications/201906_rapport_lte_2019_corrige.pdf

Waste electrical and electronic equipment collection

Like any other company in the service sector, the management of end-of-life WEEE is an important challenge for waste management policies. At La Banque Postale, and all other entities of Le Groupe La Poste, PAPREL and LOXY are the companies responsible for handling most of its WEEE collection and recovery. This WEEE collection and recycling policy was introduced by the DSIBR in 2012, initially with Valdelec in order to recover, dismantle and process all WEEE (computer equipment). LOXY, a company in the disabled workers sector, not only processes waste but also reconditions equipment for resale. In its ongoing search to minimise its carbon impact, La Banque Postale began using this service in 2018. In 2019, nearly 90 tonnes of equipment were discarded, roughly 11,000 items. Of these items, over 4,500 were reconditioned *i.e.* over 40% (vs. 33% in 2018).

Recovery of used ink cartridges from the Distribution Network

La Poste's Distribution Network continues to improve the piecemeal recovery of used cartridges and the use of manufactured cartridges. In partnership with Lexmark, over 79,000 used cartridges have been returned by post offices and tertiary sites.

Thanks to the environmental efforts by employees and the sorting, cleaning and testing carried out by Lexmark:

- ▶ 90% of used Lexmark cartridges are reused, following the same manufacturing process as new cartridges that need to be reconditioned (replacement of used or faulty parts, tests, quality control);
- ▶ 10% of cartridges are recycled.

Under this programme, a total of 113,000 kg was recycled in 2019 *i.e.* the equivalent of 376,000 kgCO₂ equivalent saved. This also meant a saving of 159,500 litres of petrol in just one year. The Lexmark-La Poste programme means no cartridges are incinerated or sent to landfill.

Implement the recycling of ATMs

As part of its circular economy strategy, La Banque Postale's Purchasing Department (DHA) has implemented an ATM parts recovery scheme. Any WEEE from ATMs which are not recovered or cannot be repaired are destroyed in line with decree 2005-829. As well as offering a real economic opportunity, this scheme ties in with the DHA's strong commitment to developing CSR initiatives with its partners.

In 2019, La Banque Postale sent 52 ATMs for recycling. Thanks to the cannibalisation and recycling schemes used by La Banque Postale's provider, 440 parts were recovered. They will be reused for maintenance.

6.2.4.3.2 DPEF Combat food waste and raise employee awareness of the circular economy

The catering package from DNAS (National Social Activities Directorate) at Le Groupe La Poste, which partly manages La Banque Postale's catering facilities, includes various initiatives to promote responsible collective catering by combating food wastage and encouraging healthy eating.

The specifications for collective catering include CSR requirements, notably with regard to combating waste. They include:

- ▶ **procedures and methods to avoid daily waste and food losses.** For example: taking inventories before placing new orders, analysing diner numbers in order to adjust the volumes produced daily, FIFO stock management, etc.;
- ▶ **raising the awareness of catering teams:** daily briefings, encouraging greater communication with diners to serve appropriate portion sizes based on individual needs.
More specifically, catering managers have been receiving eco-training since June 2018, with the goal of training 100% of managers by June 2020. During the course, employees learn about best practice to prevent waste. By the end of the day-long training, students are offered tools so that they can in turn train the rest of their catering teams;
- ▶ **raising diner awareness:** annual awareness campaigns are run each year to inform diners about the issue of food waste and the circular economy.

A campaign was held during European Waste Reduction Week from 18-22 November 2019.

It conveyed a number of messages:

- ▶ reminding diners that recycling bins were available next to the plate return point, for separating and recycling different types of waste;
- ▶ explaining the different waste recovery streams available to restaurants;
- ▶ raising awareness of the need to reduce waste by encouraging diners to take only what they need and "finish" their plate, using a "Hungry or Not: How much do you need" system;
- ▶ weighing food waste at the plate return point, the volume of waste is equal to the amount of food left on the plate. The results of this weigh-in are currently being analysed and will produce a clear diagnosis for each catering venue, allowing us to identify target indicators and action plans for ongoing improvement. Other weigh-in campaigns at other points of the catering stream (manufacture, distribution) will also be suggested in 2020 to further the analysis.

6.3 CSR INDICATORS

The CSR indicators published in this section support La Banque Postale's desire for transparency and substantiate the qualitative elements described in the previous sections. They have been grouped into four categories: economic indicators, employment indicators, social indicators and environmental indicators.

As an introduction to the indicator tables, the following note on methodology provides the information needed to correctly understand the indicators, their scope and their possible limitations.

6.3.1 Note on methodology

The reporting protocol supports the use of non-financial indicators in order to report on the CSR performance of La Banque Postale Group. The information is collected by a network of over one hundred CSR Officers and contributors to the extra-financial reporting process.

The CSR indicators were created with regard to the indicators suggested by the French New Economic Regulations Act (the NRE Act), Article 225 of the Grenelle II Act, and according to their relevance to La Banque Postale's business activity, in line with the European directive on extra-financial reporting which has been transposed into French law, notably *via* Order no. 2017-1180 of 19 July 2017 introducing the Declaration on Extra-Financial Performance. The indicators proposed by the Global Reporting Initiative (GRI), in particular in its Financial Services Sector Supplement (FSSS), were also taken into account. National methodology such as ADEME's carbon assessment protocol known as Bilan Carbone®, was used as a guideline, particularly for the calculation of environmental indicators.

For each indicator, the figures for the last three years are given whenever possible. The data is presented on a like-for-like basis, and any changes in scope are explained. If a change in scope, change in methodology or post-hoc correction is identified, the data are restated since previous publications for comparison purposes and are marked by an asterisk*.

6.3.1.1 Scope of extra-financial reporting

The aim of La Banque Postale's feedback process is to cover all of La Banque Postale's business activities and their impacts, all of the physical entities (buildings) and all of the players at La Banque Postale. These players make up the subsidiaries and the Banking Advice Line. Various scopes have therefore been defined in order to account for the corporate, social and environmental impacts of business activities in a relevant way. The table below presents the **target non-financial scope as at 31 December 2019**.

La Banque Postale (legal entity)	<ul style="list-style-type: none"> ▶ Head office of La Banque Postale ▶ Regional control departments ▶ Regional commitments department 	3,097 employees (i.e. 10% of La Banque Postale) as at 31 December 2019.
Financial Services (employees of Le Groupe La Poste working under the name of and on behalf of La Banque Postale)	<ul style="list-style-type: none"> ▶ 20 mainland Financial Centres, 4 Financial Centres in French overseas departments, 4 National Centres ▶ Bank and Distribution Network's IT Department (DSI-BR) ▶ Financial Services Department ▶ Department of Businesses and Regional Development (DEDT) 	12,697 employees (i.e. 47% of La Banque Postale) as at 31 December 2019.
Banking Advice Line (employees of Le Groupe La Poste working under the name of and on behalf of La Banque Postale) -The positions included are: - Banking Advice Line (LCB): Financial Advisors (COFI), Customer Advisors (COCLI), Specialist Wealth Management Advisors (CSP), Customer Managers (Gescli), Expert Home Loan Advisors (CECI), Specialised Real Estate Advisors (CSI), Adverse Possession Loan Advisors (CPCI), Government-Assisted Housing Loan Advisors (CFAS) - Appui Soutien Bancaire (ASB): Adverse Possession Operations Director (DOP), Youth Leader, Loan Assistant, Bank Sales Monitor (MVB) and Retail Client Manager (RCPART), Maison de l'Habitat Director, Maison de l'Habitat Development Manager, Banking Tools & Methods Manager	<ul style="list-style-type: none"> ▶ Advisors working in post office branches 	9,985 employees (i.e. 35% of La Banque Postale) as at 31 December 2019. Operating from post offices, the surface area and the energy and paper consumption of the Banking Advice Line are given the same financial weighting as when pro rating the distribution of charges for the 2019 financial year, i.e. 49.5%.
Subsidiaries (18 subsidiaries are consolidated in the extra-financial report)	<ul style="list-style-type: none"> ▶ Employees working in the 18 subsidiaries within the scope 	2,375 employees (i.e. 8% of La Banque Postale) as at 31 December 2019.

Post office counter staff, who work for the different businesses of the Le Groupe La Poste are not included in the non-financial scope of La Banque Postale.

The scope is the same for all economic indicators, which cover all of La Banque Postale. However, for the other indicator categories,

Scope covered:

Entity

the scope may vary from one indicator to another. For each indicator, the scope is stated in a bordered box as shown below and followed by an explanation if required:

Scope not covered:

Entity

Where applicable for the employment and social indicators, the coverage rate is calculated based on number of employees; for the environmental indicators, it is calculated based on surface area occupied.

Consolidation of subsidiaries

The consolidation of subsidiaries within the extra-financial scope is based on the principle of accounting consistency as well as on the principle of relevance of their various impacts. The goal is to include all consolidated subsidiaries in which the Group holds an interest of at least 50% (fully integrated), as well as certain non-consolidated subsidiaries which have relevant impacts on the Bank's interests (see organisation chart in Section 1.4 of the Registration Document). In 2019, the 19 consolidated subsidiaries were:

- ▶ Retail Banking: La Banque Postale Financement (LBPF), Easybourse, La Banque Postale Immobilier Conseil (LBPIC), La Banque Postale Leasing & Factoring (LBP L&F), La Banque Postale Collectivités Locales (LBPCL), BPE, SOFIAP and Domiserve, Kiss Kiss Bank Bank; Lendopolis; Goodeed, Ezyess, Ma French Bank (MFB);
- ▶ asset management: La Banque Postale Asset Management (LBPAM) and Tocqueville Finance SA;
- ▶ insurance: La Banque Postale Prévoyance (LBPP), La Banque Postale Conseil en Assurances (LBPCA), La Banque Postale Assurances IARD (LBP Ass. IARD), La Banque Postale Assurances Santé (LBPAS)

In 2019, these 19 subsidiaries were either all included, all excluded, or partially included in the calculation of the indicators. In the latter case, a list of included subsidiaries appears beneath the indicator.

The scope of the “Commitments to Society and the Regions” indicators encompasses 18 subsidiaries (excluding Goodeed).

The scope of the “Commitments to Employees” indicators comprises 16 subsidiaries (excluding Goodeed, MaFrenchBank and LBP Collectivités Locales) and represents over 99% of the Group's consolidated workforce, except for the indicator “Proportion of employees trained in anti-money laundering and terrorist financing” which is published for the Group without any subsidiaries and accounts for 92% of the Group's consolidated workforce.

The scope of the “Commitments to the Planet” indicators encompasses 14 subsidiaries (excluding Domiserve, Kiss Kiss Bank Bank, Lendopolis and Goodeed), representing over 99% of the Group's consolidated workforce, apart from the indicator “CO₂ emissions per vehicle” which is published for the Group excluding Domiserve, KissKissBankBank, Lendopolis, Goodeed and the Banking Advisory Line, accounting for 65% of the Group's consolidated workforce.

6.3.1.2 Information feedback in 2019

None of the information about animal welfare, responsible, fair and sustainable catering and the fight against food poverty has any bearing on La Banque Postale's business in terms of relevance or applicability.

“Commitments to customers” indicators

- ▶ The AUM of funds where at least 90% of assets comply with ESG (Environmental, Social and Governance) criteria are included in the SRI assets under management;
- ▶ SRI investments are assessed in two categories: socially responsible investments, and funds with other ESG approaches;
- ▶ support for financially-vulnerable customers is provided by CRESUS (a network of debt management charities) across the whole of France. Customers in the Greater Paris region are supported by Crédit Municipal de Paris (CMP);
- ▶ the level of exposure to ESG risks has been measured on a scale of 1 to 10, with 10 being the highest level of risk.

“Commitments to Employees” and “Commitments to Society and the Regions” indicators

- ▶ The total workforce includes employees in active employment only (staff on permanent or temporary contracts, civil servants). Work-study contracts (apprenticeships, professional training contracts) and corporate officers are no longer included in the total workforce following the efforts to harmonise the protocol with Le Groupe La Poste. The workforce distribution by age only takes into account permanent contracts;
- ▶ The indicator for the number of home workers includes employees on permanent and temporary contracts and civil servants;
- ▶ The permanent workforce is made up of permanent employees and civil servants;
- ▶ The Banking Advice Line has no strategic women executives;
- ▶ Days of absence for occupational accidents with lost time are monitored on a calendar basis;
- ▶ La Banque Postale monitors occupational illness data, but the figures are not yet consolidated because this indicator is not considered materially relevant to its service business;
- ▶ The number of lost days due to illness is reported in calendar days, and takes into account permanent employees and civil servants. The indicator includes the number of days of absence from 1 January of year Y to 31 December of year Y;
- ▶ Dismissal figures do not include removals from office of civil servants or terminations of trial periods by the employer;
- ▶ The turnover is based on the workforce figure as at 31 December excluding temporary contracts and work/study contracts;
- ▶ The default length of one training day is 7 hours;
- ▶ E-learning courses are calculated based on theoretical duration;

- ▶ Subcontracting at La Banque Postale is not significant and does not concern La Banque Postale's core business activities. Subcontractors remain in all circumstances under the authority of the service provider, who retains sole responsibility for the completion of all services, and more specifically for compliance with quality, safety and confidentiality requirements. See Article 28 of the contracts signed by suppliers;
- ▶ Concerning the number of employees doing skills-based volunteering: this is the number of employees who have attended a budget workshop so that they can then offer their skills to people on the *Garantie Jeunes en Mission Locale* scheme or in skills-based training programmes such as *Entreprendre Pour Apprendre* and *La Finance pour Tous*;
- ▶ Concerning the number of employees involved with L'Envol: this is the number of new employees that have responded to calls for mentors and have committed to being a mentor in L'Envol during year Y;
- ▶ Concerning the number of young people benefiting from the L'Envol programme: this is the number of young people benefiting from the L'Envol programme at 31 December of year Y.

“Commitments to the Planet” indicators

- ▶ Indicators are tracked over a rolling 12-month period, from 1 December of Y-1 to 30 November of year Y. The indicators cover: building and vehicle energy consumption and emissions, the number of employees trained in eco-driving, water consumption and tonnes of waste electrical and electronic equipment (WEEE) collected;
- ▶ Energy consumption is monitored mainly on the basis of invoices and, if an invoice is delayed, on the basis of meter readings in order to provide the most accurate data possible;
- ▶ In 2019, emissions were converted to CO₂ equivalents using the emission factors provided by Le Groupe La Poste for consolidation purposes. If no emission factor was provided by Le Groupe La Poste, the figure was converted to CO₂ equivalents using the ADEME Bilan GES (greenhouse gas emissions profile). All data has been adjusted on a historical basis. The emission factors only include combustion (excluding upstream) for gas, propane gas, fuel oil, diesel and petrol. The emission factor used to convert district heating network consumption is that of the city in which the site is located (District Heating Energy Factor from the ADEME Bilan GES);
- ▶ The CO₂ emissions generated by employee business travel by rail and air are calculated using data issued by the transport service providers. They apply their own emissions factors to the journeys made by employees;
- ▶ For 2019, figures for CO₂ emissions generated by employee commutes cover the entire scope. These emissions are calculated using the results of the home-work survey of La Banque Postale employees conducted every two years. For the first time in 2019, the survey included the CO₂ emissions of

Banking Advice Line employees. These emissions were extrapolated to 2018 and 2017 in order to produce a year-on-year comparison of the total carbon footprint of La Banque Postale across an identical scope.

- ▶ The emission factor for electricity consumption does not include online losses; grey electricity is calculated separately from green electricity. For green electricity, the emission factor supplied by Le Groupe La Poste is used. This is an average of the factors provided by the energy suppliers (EDF, Engie and Direct Energie);
- ▶ The Banking Advice Line has been included in the scope of publication for building-related energy consumption, water consumption and paper consumption, using a distribution formula and the accounting basis, making it possible to distribute the charges attributable to the Advice Line's employees working in the name and on behalf of La Banque Postale;
- ▶ The four Financial Centres located in the French overseas departments are not included in the environmental criteria, except for the vehicle indicators;
- ▶ For the first time in 2019, emissions from Data Centres have been included in the calculation for the total carbon footprint of La Banque Postale for 2017, 2018 and 2019. The emissions calculations encompass the construction, operational (excluding building-specific emissions) and end-of-life phases;
- ▶ Paper scrap in production is included in total consumption. “Urgent” paper consumption excluding framework contracts is not taken into account in the graphic chain's paper consumption. The contribution is marginal;
- ▶ For certain missing data, missing or erroneous consumption figures can be extrapolated from the most reliable actual consumption data, if relevant.

6.3.1.3 Data verification

In 2011, La Banque Postale instructed an independent third party to verify its CSR indicators. In accordance with Article 225 of the Grenelle II Law and the transposition of the EU Non-Financial Reporting Directive into French law, La Banque Postale has continued this practice ever since. The accuracy of the CSR Information is checked and the auditor then issues a conclusion based on moderate assurance, which gets published in the La Banque Postale Universal Registration Document. In 2019, for the fifth year running, certain key indicators will be verified on the grounds of reasonable assurance.

Following this section on responsible development indicators is a report from the third-party organisation, which La Banque Postale instructed of its own accord, on the accuracy and compliance of the Non-Financial Performance Declaration with legal and regulatory requirements, as published in the management report included in the Universal Registration Document for the financial period ending on 31 December 2019.

6.3.2 “Commitments to Customers” indicators

The indicators in the following table supplement the Accessible Banking, Responsible Customer Relations, Responsible Offering and Management of Non-Financial Risks sections of this document.

ECONOMIC INDICATORS	2019	2018	2017
ACCESSIBLE BANKING			
Number of personal micro-loans paid (including home micro-loans) ✓ There were 146 active partnerships with social assistance organisations in 70 French regions	2,720	1,943	2,114
Percentage of consumer loans less than or equal to €1,500	6.0%	6.5%	6.3%
Percentage of home loan borrowers earning less than 2 minimum wages per month	25.8%	27.1%	22.2%
Percentage of Livret A accounts with a balance of less than €150	51.0%	51.0%	50.5%
Number of “Simplicité” account option users	112,403	70,177	79,571

	2019	2018	2017
RESPONSIBLE CUSTOMER RELATIONS			
Customer satisfaction rate	84.6%	83.8%	85.3%*
Customer claims rate	12.6%	13.1%	13.5%*
Bad debt rate for home loans La Banque Postale's bad debt rate is still among the lowest on the market (approximately 2% in average for the French market at the end of 2016)	1.0%	1.2%	1.2%
Number of customers supported by CRESUS during the year CRESUS provides assistance to financially-vulnerable customers throughout France. Customers in the Greater Paris region are supported by Crédit Municipal de Paris (CMP).	252	325	334
Number of customers supported by L'Appui	9,329	12,324	15,425
Number of deaf and hearing impaired customers assisted by Deafi	7,787	6,028	5,053

Customer assistance is available in French sign language for the deaf and hearing-impaired. This service can be accessed via labanquepostale.fr and the Deafi mobile app.

Please refer to the paragraphs on accessible banking in the “Commitments to society and the regions” section for further information.

	2019	2018	2017
RESPONSIBLE OFFERING			
Total responsible outstandings ✓	137.20	115.06	109.14
SRI (socially responsible investment) funds (in billions of euros)	29.90	10.60	4.14
Funds with other ESG approaches (in billions of euros)	107.30	104.46	105.00

In 2019, responsible investment assets accounted for over 60% of all investments managed by LBPAM.

	2019	2018	2017
MANAGEMENT OF EXTRA-FINANCIAL RISKS			
ESG risk exposure of the CIB (non-sovereign issuers)	4.44	4.84	5.12
ESG risk exposure of the CIB business (sovereign issuers) The level of exposure to ESG risks has been measured on a scale of 1 to 10, with 10 being the highest level of risk.	5.15	5.15	4.63
Level of exposure to climate risks of the CIB (corporate issuers) in t.CO ₂ /€m of revenue	45.40	43.00	95.00

Proportion of employees trained in anti-money laundering and terrorism financing over the last three years	2019	2018	2017
La Banque Postale Employees	34.9%	24.4%*	26.8%*
Financial Centre Employees	25.2%	38.4%*	30.5%*
Distribution Network employees	35.2%	39.8%*	42.6%*

This is the number of employees who received training during the year.

* Restated.

√: indicator independently verified to a reasonable level of assurance.

6.3.3 “Commitments to Employees” indicators

The indicators presented in the following table supplement the social commitment section of this document.

	2019	2018	2017
EMPLOYMENT: WORKFORCE, HIRING AND DISMISSALS			
Number of employees of the La Banque Postale Group (in units)	28,154	28,926	29,163
La Banque Postale	3,097	2,941	2,739
Financial Services	12,697	13,621	14,413
Banking Advice Line	9,985	10,094	10,069
Subsidiaries	2,375	2,270	1,942

Includes permanent and temporary contracts, civil servants, back office, excluding work/study contracts and suspended contracts.

The 28,154 employees of La Banque Postale Group all work in France.

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Proportion of permanent employees under 25	1.37%	1.18%	0.83%
Proportion of permanent employees over 55	27.37%	27.74%	27.02%

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Number of CDI (permanent) employees recruited	1,585	1,885*	940

Includes the number of permanent hires following a temporary contract, an apprenticeship contract or an occupational contract, and external permanent hires.

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Number of dismissals	125	101	91

La Banque Postale has not made anyone redundant on economic grounds over the past three years.

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Turnover rate	4.7%	4.8%	NC

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
REMUNERATION			
Average gross annual remuneration for women (in euros)	40,481	39,650*	38,832
Average gross annual remuneration for men (in euros)	49,800	48,388	47,013
Average gross annual remuneration for employees (in euros)	44,159	43,121	42,053

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Annual remuneration of the Chairman/gross median remuneration of the employees	10.3	10.5	10.8
Annual remuneration of the Chairman as a factor of the minimum wage	20.08 times the minimum wage	20.02 times the minimum wage	20.46 times the minimum wage

Fixed gross annual salary for permanent employees.
 The value used in 2019 was the 2019 minimum wage, i.e. €18,254.60.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Value of the salary and benefits aggregation scheme (in euros)	10,416,073	20,210,081	10,708,928
Value of the profit sharing scheme (in euros)	11,674,855	11,127,609	8,583,423
Amount of employer's contribution (in euros)	7,535,613	7,041,740	7,516,943
Portion of socially responsible investment in employee savings	63.04%	35.61%	33.69%

Portion of socially responsible investment in employee savings

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
FIGHT AGAINST DISCRIMINATION: GENDER EQUALITY AT WORK AND EMPLOYMENT OF DISABLED PERSONS			
Percentage of women in the workforce	61.49%	61.36%*	61.84%*
Percentage of women in executive positions	56.82%	56.51%*	56.62%*
Percentage of women in strategic executive posts √	37.50%	36.87%*	37.20%*
Gender quality index	97	77	N/A

The gender quality index only applies to employees of La Banque Postale. Employees from Financial Services and the Banking Advice Line are counted in the index for Le Groupe La Poste.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Percentage of women on the Executive Board of La Banque Postale	30%	31%	23%
Percentage of women on the Supervisory Board of La Banque Postale	33%	33%	40%

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Percentage of Employment Obligation Beneficiaries	3.00%	2.94%	3.03%

Rate calculated based on the AGEFIPH procedures, available after publication of this document.
In 2019, indirect employment represented 34.8 units resulting from contracts concluded with the subsidised/sheltered sector.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Number of disabled employees supported	924	888	898

Moreover, the percentage of Employment Obligation Beneficiaries is only calculated at the level of Le Groupe La Poste.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
WORK ORGANISATION: overtime, part-time, accidents and absences			
Amount of overtime per employee in hours	2.45	2.91	2.51

Includes the number of overtime hours declared by each employee under permanent contract and civil servants.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Percentage of part-time employees in the workforce	8.63%	9.01%	9.19%

In 2018, 86.3% of part-time employees were women (88.6% in 2017).

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Number of home workers	1,647	664	527

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Occupational accident rate	4.56	4.63	4.51
Occupational accident severity rate	0.18	0.18	0.16
Number of lost time days due to occupational and travel accidents per employee	0.62	0.62	0.60

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Absenteeism due to illness	5.69%	5.63%	5.68%
Number of days of work stoppage due to illness per employee	20.96	20.53	20.94

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
EMPLOYEE RELATIONS			
Number of collective agreements signed	50	60	51

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
TRAINING			
Number of training hours provided by EBR to Le Groupe La Poste employees	2,199,834	1,995,000	2,184,000
Number of training hours	1,236,591	964,483	1,028,953
Number of training hours per employee	44	33	35

In 2019, 27,273 employees attended at least one training programme during the year.
 Subsidiaries not covered in 2017: LBPCÉ and LBPCA.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Number of employees on banking courses leading to a qualification or diploma	1,360	1,580	1,415

Includes employees in first and second years of banking courses leading to a qualification or diploma.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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* Restated.

√/: indicator independently verified to a reasonable level of assurance.

6.3.4 “Commitments to Society and the Regions” indicators

The indicators in the following table supplement the social commitment section of this document.

	2019	2018	2017
RESPONSIBLE PURCHASING			
Number of Responsible Purchasing Charters signed by suppliers	4,812	4,486	434

In 2018, Le Groupe La Poste implemented a new IT system for its purchases, including those made by La Banque Postale. This approach required all of Le Groupe La Poste's suppliers, including those of La Banque Postale, to sign the Responsible Purchasing Charter. Please refer to the subsections on La Banque Postale's responsible purchasing approach in the Commitments to Society and the Regions section for further information.

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Change in purchase rate from the subsidised/sheltered employment sector	-1%	-8%	9%

Change relative to the previous year.

Please refer to the paragraphs on diversity, disabilities and equal opportunity in the Commitment to Employees section for further information.

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
CIVIC COMMITMENT			
Financial commitment for mentoring (in euros)	6,984,075	5,911,058	5,026,499

The final figures for the current year will not be known until after the publication of this document.

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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Number of employees on the skills volunteering programme	255	255	74
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Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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Number of employees involved with L'Envol	133	90	85
Number of young people benefiting from L'Envol	481	449	387

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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Territorial, economic and social impact and stakeholder relations

Please refer to the Societal commitment section of this document as well as the Social commitment section in which a paragraph is dedicated to La Banque Postale's relationships with academic institutions.

Compliance with the fundamental conventions of the ILO (International Labour Organisation)

Please refer to the end of the Societal commitment section of this document regarding compliance with fundamental labour rights for employees, suppliers and subcontractors.

Anti-corruption

Please refer to the end of the Management of Extra-financial Risks section about ethics.

Health and Safety of customers

Please refer to the Accessible Banking (combating banking exclusion) and Responsible Customer Relations (preventing over-indebtedness and support in the event of financial insecurity) sections of this document.

* Restated.

√: indicator independently verified to a reasonable level of assurance.

6.3.5 “Commitments to the Planet” indicators

The indicators in the following table supplement the social environmental commitment section of this document.

	2019	2018	2017
Total carbon footprint of La Banque Postale (tCO₂eq)	63,593	65,973*	67,528*

The carbon footprint takes into account the following sources of emissions: buildings, business trips/commutes, paper consumption and Data Centres. Starting in 2019, emissions from the Banking Advice Line have been included in the buildings, paper and travel/commute categories.

	2019	2018	2017
BUILDINGS			
Energy consumed (in Gwh)	193.82	225.26*	228.34*
Emissions related to buildings (in tCO₂eq)	18,300	21,212*	22,854*
Emissions avoided thanks to the 100% renewable electricity contract (in tCO₂eq)	4,623	5,370*	5,173*
Emissions per employee (in kgCO₂eq)	650	733*	784*

The total energy consumption includes the consumption of electricity, natural gas, fuel oil, district heating, and propane gas.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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12 subsidiaries: BPE, Easybourse, LBPAM, LBPAS, LBP L&F, LBPCL, LBP Ass. IARD, LBPIC, LBPFI, LBPP, SOFIAP, Tocqueville Finance.
The Banking Advisory Line is integrated on an accounting pro rata basis.

	2019	2018	2017
TRAVEL			
Vehicle emissions (in tCO₂eq)	3,875	4,411*	4,014*
Emissions per vehicle (in tCO₂eq)	2.6	2.8*	3.0*

12 subsidiaries: BPE, Easybourse, LBP AS, LBP CA, LBP L&F, LBP FI, LBP Ass. IARD, LBP IC, LBP P, LBP AM, SOFIAP, Tocqueville Finance.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Emissions related to business travel by rail (in tCO₂eq)	44	53	92
Emissions related to business travel by plane (in tCO₂eq)	1,523	1,823*	1,976*

10 subsidiaries for train travel: BPE, Easybourse, LBP AS, LBP CA, LBP L&F, LBP FI, LBP Ass. IARD, LBP IC, LBP AM, Tocqueville Finance.
9 subsidiaries for air travel: Easybourse, LBP AS, LBP CA, LBP L&F, LBP FI, LBP Ass. IARD, LBP IC, LBP AM, Tocqueville Finance

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Emissions from employee commuting, incl. Advice Line (in tCO₂eq)	36,609	36,609*	36,609*
Emissions from employee commutes, excl. Advice Line (in tCO₂eq)	17,964	20,397	20,397

These emissions are calculated using the results of the home-work survey of La Banque Postale employees conducted every two years. For the first time in 2019, the survey included the CO₂ emissions of Banking Advice Line employees.

These emissions were extrapolated to 2018 and 2017 in order to produce a year-on-year comparison of the total carbon footprint of La Banque Postale across an identical scope.

Please refer to the paragraphs on the responsible mobility policy in the Commitments to the Planet section for further information.

Scope:

La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Number of videoconference terminals	253	236	199
Number of videoconference connections	43,913	48,110	48,692

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
Data Centre Emissions (in tCO ₂)	2,940	1,555	1,668

For the first time in 2019, emissions from Data Centres have been included in the calculation for the total carbon footprint of La Banque Postale. The figures cover the construction, operational (excluding building-specific emissions) and end-of-life phases.

	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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	2019	2018	2017
RESOURCES			
Paper consumption (in tonnes)	6,988	7,188*	7,318*
Emissions related to paper (in tCO ₂)	301	310*	315*
Proportion of eco-friendly paper out of total paper consumption	99.3%	99.5%	88.9%
Consumption of paper for internal purposes per employee (in kg)	15.6	15.3	22.3
Consumption of paper for external purposes per active customer (in kg)	0.62	0.65	0.63

Paper is the main raw material used by La Banque Postale, which is mindful of the quality of the paper as well as the volumes consumed.

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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10 subsidiaries: BPE, LBP AM, LBP Ass. IARD, LBP AS, LBP CA, LBP L&F, LBP CL, LBP Fi, LBP IC, LBP P.

The Banking Advice Line is integrated on an accounting pro rata basis.

	2019	2018	2017
Water consumption (in millions of litres)	393	465*	461*
Consumption per employee per day (in litres)	68	78*	77*

With respect to La Banque Postale's business activities, only the water consumed by company restaurants and sanitary facilities is taken into account. La Banque Postale consumes only drinking water supplied by French town councils and is therefore not faced with the issue of depletion of water resources. However, as part of its policy of controlling the use of resources, reducing water consumption is a constant operating objective of each site and is covered by monitoring and reporting.

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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12 subsidiaries: BPE, LBPAM, LBP AS, LBP Ass. IARD, LBPFI, Tocqueville, LBPP, SOFIAP, LBP IC, Easybourse, LBP L&F, LBP CL.

	2019	2018	2017
THE CIRCULAR ECONOMY			
Number of tonnes of waste paper collected by Recygo for recycling	765	652	620

Scope:	La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
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Includes: the Bords de Seine II head office and 19 Financial and National Centres (excluding DSIBR).

	2019	2018	2017
Collection of WEEE (waste electrical and electronic equipment) (in tonnes)	88.9	70.3*	97.0*

Scope:

La Banque Postale

Financial Services

Banking Advice Line

Subsidiaries

*restated

√: indicator independently verified to a reasonable level of assurance.

6.4 REPORT BY ONE OF THE STATUTORY AUDITORS, NAMED AS AN INDEPENDENT THIRD PARTY IN THE CONSOLIDATED EXTRA-FINANCIAL PERFORMANCE DECLARATION OF THE MANAGEMENT REPORT

In our role as Statutory Auditors of your company (hereinafter “entity”) designated as an independent third party, accredited by COFRAC under number 3-1049⁽¹⁾, we hereby submit our report on the consolidated declaration of extra-financial performance for the financial year ending 31 December 2019 (hereinafter the “Declaration”), presented in the management report of La Banque Postale Group in application of the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Responsibility of the entity

It is the responsibility of the Executive Board to produce a Declaration that meets legal and regulatory requirements, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies established to manage these risks and the outcomes of these policies, including key performance indicators.

The Declaration has been prepared in line with the entity’s procedures (hereinafter the “Standards”), the material elements of which are presented in the Declaration and available on request from the entity’s head office.

Independence and quality control

Our independence is defined by the provisions of Article L. 822-11-3 of the French Commercial Code and by the code of ethics of the profession. In addition, we have implemented quality control procedures that include documented policies and procedures whose purpose is to ensure compliance with the applicable legal and regulatory provisions, ethical rules and professional standards.

Responsibility of the Statutory Auditors designated as a independent third party

It is our responsibility, based on our work, to formulate an opinion, on the basis of our moderate assurance and give justification for that opinion, concerning:

- ▶ the conformity of the Declaration with the provisions of Article L. 225-105 of the French Commercial Code;
- ▶ the truthfulness of the information provided in application of 3° of I and II of Article R. 225 105 of the French Commercial Code, i.e., the outcome of the policies, including the key performance indicators and the actions related to the main risks, hereinafter the “Information”.

It is our duty to express, at the request of the entity and outside of the scope of accreditation, reasonable assurance regarding the fact that the information selected by the entity and presented in the Appendix and identified by the ✓ symbol in Chapter “6. Extra-financial Performance Declaration - Corporate Social Responsibility (CSR)” of the management report were prepared, in all material aspects, in accordance with the Standards.

It is not our role, however, to provide an opinion on compliance by the entity with the other legal and regulatory provisions applicable, notably in terms of a vigilance plan and the fight against corruption and tax evasion, or on the compliance of products and services with applicable regulations.

Nature and extent of work

Our work, described below, was carried out in accordance with the provisions of Articles A. 225-1 and followings of the French Commercial Code, of the professional standards of the French National Institute of Statutory Auditors for this assignment, and of the international ISAE 3000 standard⁽²⁾:

- ▶ We reviewed the activities of all of the entities included in the scope of consolidation and the description of the main risks;
- ▶ We analysed the appropriateness of the Standards in terms of their relevance, completeness, reliability, neutrality and clarity, taking into consideration industry best practices;
- ▶ We checked that the Declaration covers each category of information required by Article L. 225-102-1 (III) with respect to corporate and environmental matters and with respect to human rights and the fight against corruption and tax evasion;

(1) The accreditation scope of which is available on the www.cofrac.fr website

(2) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information

- ▶ We checked that the Declaration includes the information required by R. 225-105 (II) when it is relevant with respect the main risks and includes, if applicable, an explanation of the reasons why the information required by paragraph 2 of III of Article L. 225-102-1 is missing;
- ▶ We checked that the Declaration presents the business model and a description of the main risks related to the business activities of all of the companies included in the scope of consolidation, including, when relevant and proportional, the risks created by business relationships, the products or services as well as the policies, actions and their outcomes, including the key performance indicators related to the main risks;
- ▶ We consulted documentary sources and conducted interviews to:
 - assess the selection and approval process for the main risks as well as the consistency of the outcomes, including the key performance indicators selected, with respect to the main risks and policies presented, and
 - corroborated the qualitative information (actions and outcomes) presented in the Appendix which we deemed to be most important. For certain risks, our work was conducted at the level of the consolidating entity. For the other risks⁽¹⁾, the work was conducted at the level of the consolidating entity and a selection of entities⁽²⁾;
- ▶ We checked that the Declaration covers the consolidated scope, i.e., all of the entities included in the consolidation scope in accordance with Article L. 233-16, subject to the limits stated in the Declaration;
- ▶ We reviewed the internal risk control and management procedures implemented by the entity and we assessed the collection process intended to provide comprehensive and truthful information;
- ▶ For the key performance indicators and other quantitative results presented in the Appendix we considered most relevant, we implemented:
 - analytical procedures consisting in verifying the correct consolidation of the data collected and the consistency of their evolution;
 - detailed tests based on sampling consisting in verifying the correct application of definitions and procedures and reconciliation with supporting documents. This work was carried out with a selection of contributing entities⁽²⁾ and covers between 18% and 100% of the consolidated data selected for the tests;
- ▶ We assessed whether the overall Declaration was consistent with our knowledge of the entities included in the scope of consolidation.

We believe that the work we carried out, exercising our professional judgement, enables us to have moderate assurance in our conclusion. A higher level of assurance would have required more extensive verification work.

Means and resources

Our work, mobilising the expertise of five people, took place between November 2019 and March 2020 for a total of approximately eight weeks.

We called upon our sustainable development and corporate responsibility specialists to assist us in our work. We conducted interviews with the persons responsible for preparing the Declaration, in particular from general management, human resources, strategy and development.

Conclusion

On the basis of our work, we found no significant anomalies that would cause us to doubt that the consolidated Declaration of Extra-financial Performance complies with all applicable regulatory provisions and that the information, taken as a whole, is fairly presented in accordance with the Standards.

Note

Without calling into question the conclusion above, and in compliance with the provisions of Article A. 225-3 of the French Commercial Code, we have the following comment:

- ▶ As stated in section “6.3.1 Note on methodology”, the “CO2 emissions per vehicle” indicator is published for the Group scope excluding the Lendopolis, Goodeed, Domiserve, KissKissBankBank and Ligne Conseil Bancaire subsidiaries and covers 65% of the Group’s consolidated workforce

(1) Image risk; Risk of delayed development with respect to new modes of consumption; Risk of social exclusion; Risks related to data confidentiality; Risks related to the funding of controversial projects in the regions; Risk of non-compliance in matters of business ethics; Risk of insufficient advice; Risk of mismanagement of CSR commitments in the value chain; Risk of non-compliance with human rights; Risk of deterioration in relationships with suppliers; Climate risks.

(2) Registered office of La Banque Postale, Véhiposte (subsidiary of Groupe La Poste), Poste Immo (subsidiary of Groupe La Poste), Ecole de la Banque et du Réseau.

Report of reasonable assurance on selected extra-financial information

Nature and extent of work

With respect to the information selected by the entity presented in the Appendix and identified by the √ symbol in Chapter “6. Extra-financial Performance Declaration - Corporate Social Responsibility (CSR)” of the management report, we carried out work of a similar nature to that described in the paragraph “Nature and extent of work” above for the information considered to be the most important, but in a more in-depth manner, in particular with respect to the number of tests.

The sample selected represents between 87% and 100% of the information identified with the √ symbol.

We consider that this work makes it possible for us to provide reasonable assurance as to the information selected by the entity and identified by the √ symbol.

Conclusion

In our opinion, the information selected by the Company and identified by the sign √ was established, in all its significant aspects, in accordance with the Framework.

Paris-La Défense, 5 March 2020

KPMG S.A.

Anne Garans

Partner
Sustainability Services

Marie-Christine Jolys

Partner

6.5 DPEF CONCORDANCE TABLE

Guide to finding Non-Financial Performance Reporting (DPEF) information

1) Business model		Universal Registration Document pages
The Group's main activities: business lines and key figures, products and services, results		9 ; 11-13 ; 17-22 ; 71-74 ; 338-340
Organisation: presentation of the main activities, workforce, governance		9-10 ; 17-22 ; 25-66 ; 87 ; 383-386
Financial model: key resources, added value for stakeholders, margin analysis		71 ; 74-75 ; 179-330 ; 338-340
Strategy, outlook and objectives		14-16 ; 88
2) Key non-financial risk factors for the Group and overview of main policies		Universal Registration Document pages
Corruption	Group regulatory framework	175-176
	Code of conduct	175-176 ; 358-359
	Ethics	358-359
IT system failure (cybercrime)	Risk management system for IT systems and information security	166 ; 353
Data protection	Personal data protection policy	353
	Internal instructions and related procedures	353
CSR issues with potential reputation risk for the Group	Materiality of CSR issues	340
	CSR governance and policy	343
	CSR policy execution	345
	Dialogue with stakeholders	344
	Environmental impact reduction programme	371-378
Non-compliance with undertakings	Customer complaint handling policy	352-353
	Commitments to reducing exposure to coal	376-377
	Climate policy	371-377
Failure to comply with regulations and internal rules relating to labour law	HR management policy	360-365
Failure to comply with regulations and internal rules relating to health and safety	Health policy	362-364
	Focus on psychosocial risk prevention	363-364
	Social dialogue	362
	Risks relating to the safety of people and property	166-167
Failure to consider E&S issues that could (in the long term) affect credit risk, especially climate risk	Climate risk assessment policies	357-359 ; 376-377
Inappropriate conduct in the workplace	Code of conduct	175-176 ; 358-359
	Ethics	358-359
Labour shortage risk	Talent attraction and retention policy	361
	Mobility policy	360
	Training policy	360-361
	Work schedules	362-363
	Remuneration policy	361
	Remuneration policy and risks	59-66 ; 361

3) Other regulatory topics		Universal Registration Document pages
Preventing tax evasion	Fiscal code of conduct	359
	Tax haven policy	359
	Money laundering policy	359
Human rights	Code of conduct	175-176 ; 358-359 ; 367-369
	Diversity policy	364-365
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7.1 DOCUMENTS AVAILABLE TO THE PUBLIC

All documents made available to the public under legal conditions may be consulted at La Banque Postale's registered office at 115, rue de Sèvres, 75 275 PARIS Cedex 06. La Banque Postale's Universal Registration Documents are also available on the website www.labanquepostale.com.

The Company's Articles of Association are included in this 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 this document, together with all financial information, including information related to the subsidiaries for each of the two years prior to the publication of this document, can be consulted on the La Banque Postale Group website, or otherwise by writing to the Company Secretary at the La Banque Postale's registered office.

7.2 SIGNIFICANT CHANGES

There has been no significant change in the Group's financial or commercial position since the close of the last financial year for which audited financial statements have been published, and

specifically since the signing of the statutory auditors' report on the consolidated financial statements on 8 March 2019.

7.3 SIGNIFICANT CONTRACTS

To La Banque Postale's knowledge, no significant contracts have been signed other than agreements entered into as part of the

normal course of business, or in relation to the shareholder (as presented in Chapter 1, which provides an overview of the Group).

7.4 SITUATION OF DEPENDENCY

Not applicable.

7.5 REGULATION

7.5.1 Banking activities

La Banque Postale, a subsidiary of La Poste which holds the entirety of the share capital, is a Limited Company with Executive and Supervisory Boards, which was licensed as a bank by the French Credit Institution and Investment Firms Committee (CECEI) in 2005, and has been registered as an insurance intermediary by the French Insurance Intermediaries Registration Body (ORIAS) since May 2007.

In this respect, La Banque Postale meets the needs of all types of customers and provides a complete banking, financial, savings and insurance offering:

- ▶ banking services: holding of postal current accounts and payment services, overdraft facilities, home and consumer loans, loans to businesses and the local public sector;
- ▶ financial instruments: holding of securities accounts, investment in financial securities including units or shares of collective investment funds and forward financial instruments;
- ▶ savings products: savings products subject to a specific tax regime and unregulated savings products, employee savings products and insurance-related products.

It also offers payment services not linked to a bank account, such as postal mandates and provides money transfer and manual currency exchange services.

Banking and related transactions, investment and related services and savings products are regulated by the French Monetary and Financial Code.

Insurance products are governed by the French Insurance Code.

These codified provisions, together with the non-codified legal and regulatory provisions, govern the activity of La Banque Postale in their respective fields.

La Banque Postale is also subject to the control of regulatory authorities: the European Central Bank (ECB) and the Autorité de contrôle prudentiel et de résolution (ACPR - the French Prudential Supervision and Resolution Authority) as part of the Single Supervisory Mechanism (SSM), and the French Financial Markets Authority (AMF).

The Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM) are the two pillars of the European Banking Union. Established in response to the 2008 financial crisis, its purpose is to increase the transparency, unity and security of the European banking sector.

- ▶ The Single Supervisory Mechanism (SSM) is the European banking supervision system in effect since 4 November 2014. It comprises the European Central Bank (ECB) and the national supervisory authorities of the participating countries.

Its main aims are to ensure the safety and soundness of the European banking system, increase financial integration and stability, and ensure consistent bank supervision.

Together with the national authorities, the ECB has the authority to conduct prudential reviews, on-site inspections and investigations, to grant or withdraw banking licences, to assess banks' acquisitions and disposals of qualifying holdings, and to set higher capital requirements ("buffers") in order to counter any financial risks.

The European Central Bank directly supervises 117 important banks in participating countries.

The potential risks faced by banking institutions are assessed and measured annually *via* the Supervisory Review and Evaluation Process (SREP). The elements examined at this time include the bank's activity profile, governance and risk management, capital risk, liquidity risk and financial risk. The Joint Supervisory Teams (JST) reach a decision for each bank regarding the supervisory measures required under Pillar II.

- ▶ The Single Resolution Mechanism (SRM), created by the European Single Resolution Mechanism Regulation (SRMR) consists of the Single Resolution Board (SRB) and of the national resolution authorities of the participating countries. Its purpose is to guarantee the orderly resolution of failing banks to limit their impact on the economy, the financial system and public finances.

The Single Resolution Board (SRB) is tasked with expediting the decision-making process. It also plays a proactive and preventive role by preparing the banks' resolution plans and improving their resolvability in order to avoid the potentially negative impacts of a bank failure on the economy and financial stability.

The resolution measures may be funded by the Single Resolution Fund (SRF), which is financed by the contributions of the banks of the 19 Member States belonging to the Banking Union. The fund should reach its minimum target level of 1% of the guaranteed deposits of all of the Banking Union's credit institutions by 31 December 2023.

The BRRD, which defines the European system for bank resolution and recovery, provides for the creation and updating of preventive recovery plans. La Banque Postale updates its preventive recovery plan and submits it to the ECB for approval annually.

La Banque Postale is among the banks under the responsibility of the Brussels-based Single Resolution Board (SRB), which is tasked with drawing up its resolution plan.

In the context of its resolution, La Banque Postale very carefully monitors the progress in Europe of measures on loss absorption capacity:

- ▶ the work of the SRB regarding the Minimum Requirement for own funds and Eligible Liabilities (MREL);
- ▶ recent changes in European regulations (BRRD2 Directive of 20 May 2019).

7.5.2 The banking accessibility mission

The legislator entrusted La Poste with a General Interest Mission to ensure accessibility to banking⁽¹⁾, according to which its “*public service and general interest missions*” are notably “*banking accessibility as described in the Monetary and Financial Code*”. The French Monetary and Financial Code thus stipulates that “*in the banking, financial and insurance fields, La Poste shall offer products and services as widely as possible, particularly the Livret A accounts*”⁽²⁾. La Poste carries out this role via its subsidiary La Banque Postale, a credit institution⁽³⁾.

The banking accessibility mission is exercised through Livret A accounts, which La Banque Postale has the obligation to open for “*any person [...] who so requests*”⁽⁴⁾ based on the principle of universality. The conditions for the operation and distribution of the Livret A for banking accessibility are defined in two agreements binding the State to, respectively, La Poste and La Banque Postale.

The Law on the Modernisation of the Economy of 4 August 2008 generalised the distribution of the Livret A regulated savings accounts to all banks as from 1 January 2009, whereas up until then only the so-called “historical” networks (La Banque Postale, Caisses d’Épargne and, under certain specific conditions, Crédit Mutuel) were authorised to distribute it. However, the law set out specific obligations for La Banque Postale in terms of the distribution and operation of the Livret A in respect of its banking accessibility mission:

- ▶ La Banque Postale has the obligation to open a Livret A account free of charge for any physical person, any association not subject to corporate tax⁽⁵⁾, social housing body or condominium corporation that requests it;
- ▶ the minimum amount of individual cash withdrawal or deposit transactions is set at €1.50⁽⁶⁾;
- ▶ La Banque Postale is obliged to allow holders of the Livret A to make payment and withdrawal transactions free of charge in all post offices where it offers these same transactions to holders of postal current accounts;
- ▶ La Banque Postale is obliged to authorise, on the Livret A, in accordance with the conditions set out in the general

regulations applicable to savings accounts, all the transactions listed in the decrees of 4 December 2008 and 14 May 2010:

- bank transfers that are social security payments made by public authorities and social security bodies, and payments of civil servants’ pensions,
- direct debits relating to the payment of income tax, council tax, property taxes, water, gas, and electricity bills, and subsidised housing rents payable to social housing associations;
- ▶ La Banque Postale is obliged to offer the following free services: transfer to a current account by the holder of the Livret A (or their legal representative or agent) regardless of which institution holds the account; bank cheques issued in favour of the holder of the Livret A (or their legal representative or agent); a cash withdrawal card that can be used in the ATMs of La Banque Postale.

This mission is essential for enabling the social insertion of a large number of people who, due to their habits, administrative situation, limited income or handicaps, are marginalised with respect to “traditional” banking use. As a result, it benefits 1.5 million people. At the end of 2019, nearly 50.5% of La Banque Postale’s Livret A accounts held by private individuals, i.e. more than 7.5 million accounts, had an average balance of less than €150. These accounts, which amount to only 0.3% of deposits outstanding, nonetheless generate very substantial management costs because they are amongst the most used savings accounts, accounting for more than 48% of the transactions made on Livret A accounts (of which 53% withdrawals).

La Banque Postale has also undertaken, under the terms of the law of 9 February 2010, to fight and prevent over-indebtedness and to promote micro-loans, notably via its banking and budget support platform “L’Appui”.

In respect of these specific obligations which are incumbent on it in terms of the distribution and operation of the Livret A, La Banque Postale receives annually a “*compensation in proportion to the public economic interest service role which is entrusted to it*”⁽⁷⁾. This compensation is fixed, for the period 2015-2020 by decree dated 4 December 2017.

(in € millions)	2015	2016	2017	2018	2019	2020
Amount	235	355	340	320	300	280

On 24 October 2017, the European Commission approved the public service compensation granted to La Banque Postale in order to guarantee banking accessibility via the “Livret A”. The European Commission considered that the public financing granted by France to La Banque Postale from 2015 to 2020, intended to improve banking accessibility is compliant with EU regulations in terms of State aid.

In addition, the Comité Consultatif des Services Financiers issued an opinion on 19 December 2019 “*favourable to maintaining the banking accessibility system justifying the special mission entrusted to La Banque Postale via the Livret A for 2021-2026 [...]*” and notably deemed that “*the mission is a balanced response to special and concrete usage requirements expressed by very special populations that are sometimes in a situation of extreme vulnerability and which are not currently covered by other banking accessibility systems*”.

(1) Law no. 90-568 of 2 July 1990 relative to the organisation of the public postal and telecommunications service, amended by Law no. 2010-123 of 9 February 2010 relative to the public company La Poste and postal activities.

(2) Article L. 518-25 of the French Monetary and Financial Code Article L. 518-25 of the French Monetary and Financial Code

(3) Article L. 518-25-1 of the French Monetary and Financial Code.

(4) Article L. 221-2 of the French Monetary and Financial Code.

(5) As defined in Article 206 of the French General Tax Code.

(6) Article R. 221-3 of the French Monetary and Financial Code.

(7) Article R. 221-8-1 of the French Monetary and Financial Code.

7.5.3 Publication on dormant bank accounts (Eckert Law)

Articles L. 312-19 and L. 312-20 of the French Monetary and Financial Code resulting from Law n° 2014-617 of 13 June 2014 on dormant and escheated accounts, known as the Eckert Law, which came into effect on 1 January 2016, require credit institutions to publish information about dormant accounts annually⁽¹⁾.

A bank account whose owner has died will become dormant if none of the beneficiaries of the deceased contact the institution to assert their rights to the assets and deposits within a period of 12 months following the death.

The table below shows the following for La Banque Postale SA and its subsidiaries, which are account holders (natural persons/legal entities):

- ▶ the volume of accounts which were closed and the assets deposited with the Caisse des dépôts et consignations in 2019;
- ▶ the volume of accounts inventoried and the estimated assets at the end of 2019.

Savings accounts, including the Livret A, account for the majority of dormant La Banque Postale SA bank accounts.

	Dormant bank accounts closed in 2019	Dormant bank accounts at the end of 2019
Number of bank accounts		
LBP SA and subsidiaries	433,988	2,075,072
of which LBP SA	433,972	2,071,756
of which BPE	12	1,527
of which EasyBourse	0	123
of which LBP Epargne Salariale	4	1,668
of which, MA FRENCH BANK	0	0
(in € thousands)		
Amounts outstanding		
LBP SA and subsidiaries	105,489	1,557,170
of which LBP SA	105,470	1,547,825
of which BPE	15	3,732
of which EasyBourse	0	1,900
of which LBP Epargne Salariale	4	3,713
of which, MA FRENCH BANK	0	0

7.6 LEARN MORE ABOUT LA BANQUE POSTALE

All the information is available at www.labanquepostale.com

This website provides an overview of La Banque Postale, its areas of expertise, news, etc.

All financial information is available at www.labanquepostale.com/groupe/Investisseur.html

This section of the site is completely dedicated to financial information. It can be used to download information on all financial and institutional publications, financial press releases, the financial timetable, and presentations to investors.

(1) A bank account becomes dormant after a period of 12 months when its owner, legal representative, or proxy has not carried out any transactions or has not communicated with the institution. The 12-month period is increased to five years for savings accounts (Livret A, for example) and time deposit accounts as well as for ordinary securities accounts, PEA/PEA PME ETI.



GENERAL INFORMATION

ARTICLES OF ASSOCIATION

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The Articles of Association of La Banque Postale can be viewed on the website www.labanquepostale.com. The Articles of Association presented below are up to date as at the date of this document.

TITLE I. CHARACTERISTIC FEATURES OF THE COMPANY

Article 1. Form

The Company was set up in the form of a Limited Company with a Board of Directors, and registered with the Paris Trade and Companies Registry.

It was turned into a Limited Company with Executive and Supervisory Boards by a decision of the Combined General Meeting of Shareholders of 12 December 2005.

The Company is governed by current laws and regulations, and specifically by the provisions applicable to it:

- ▶ in the French Commercial Code regarding commercial companies;
- ▶ in the French Monetary and Financial Code regarding credit institutions;
- ▶ in law No. 2005-516 of 20 May 2005 regarding the regulation of postal business;
- ▶ in law No. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom as amended by law No. 2019-486 of 22 May 2019 on the growth and transformation of companies;
- ▶ in order No. 2014-948 of 20 August 2014 regarding governance and transactions involving the share capital of companies with public shareholdings; and
- ▶ and in these Articles of Association.

Article 2. Corporate purpose

- a) The corporate purpose of the Company, in France and abroad, is:
 - banking transactions, as defined in Article L. 311-1 of the French Monetary and Financial Code, and specifically loan transactions;
 - transactions relating to banking transactions, as defined in Article L. 311-2 of the French Monetary and Financial Code;
 - the execution of investment services, of order reception and transmission on behalf of third parties, of order execution services on behalf of third parties, of trades on its own account, of investment advisory services, of underwriting services, and of guaranteed placement and non-guaranteed placement services, within the meaning of Article L. 321-1 of the French Monetary and Financial Code covering financial instruments as a whole;
 - services relating to investment services, as defined in Article L. 321-2 of the French Monetary and Financial Code.
- b) The Company may also perform all transactions other than those listed above on a habitual basis, including acting as an insurance intermediary, including insurance broking, in accordance with the provisions of the French Insurance Code, under the conditions defined by a decree of the Minister in charge of the Economy and Finance.
- c) The Company receives Livret A passbook deposits and distributes it in accordance with the provisions of Article L. 518-25-1 of the French Monetary and Financial Code.

- d) Generally speaking, the Company may perform all financial, commercial, industrial, securities or property transactions that may relate to the above businesses, directly or indirectly, or that may facilitate the performance of such transactions on its own account and on behalf of third parties, or in concert.

Article 3. Name

The Company's name is "*La Banque Postale*".

The Company's name must always be immediately and legibly followed by the words "Limited Company with Executive and Supervisory Boards", written in full, by a statement of the amount of the share capital, and by the place where and the number under which the Company is registered with the Trade and Companies Registry in all deeds and documents issued by the Company and intended for third parties, including letters, invoices, announcements, and miscellaneous publications.

Article 4. Registered office

The registered office is situated at 115 rue de Sèvres – 75275 Paris Cedex 06, France.

It may be transferred to any other location in France by simple decision of the Supervisory Board, which shall be subject to ratification by the next Ordinary General Meeting.

In this case, the Supervisory Board shall also be authorised to amend the Articles of Association accordingly.

Article 5. Duration

The duration of the Company is 99 years from the date of its registration with the Trade and Companies Registry, except in the event of dissolution, or of an extension decided by the Extraordinary General Meeting.

Article 6. Share capital

The share capital is set in the amount of six billion five hundred eighty-five million three hundred fifty thousand two hundred eighteen euros (6,585,350,218).

It consists of eighty million three hundred nine thousand one hundred forty-nine (80,309,149) shares with a nominal value of €82 each, in a single category and fully paid up.

In accordance with the provisions of Article 16-II-1 of law No. 2005-516 of 20 May 2005 on the regulation of postal business, La Poste owns a majority interest in the Company's share capital.

Article 7. Changes to the share capital

The share capital may be increased, decreased, or redeemed in accordance with the current laws and regulations.

TITLE II. RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS

Article 8. Share payments – rights and obligations

Shares shall be paid up as provided for under the current laws and regulations.

The amounts still payable on the shares to be paid up in cash shall be called up by the Executive Board. However, subscribers and shareholders may pay all or part of said amounts in advance, if they wish to do so.

Subscribers and shareholders shall be made aware of calls for funds by any means, at least fifteen days before the date set for each payment.

Any shareholder who does not make the payments required for the shares that they own when these payments are due shall automatically be liable to pay a late interest charge to the Company at the legal rate.

In addition to a voting right, each share grants the right to ownership of the Company's assets, and to a share of the profits and liquidation premiums, which shall be proportional to the number of shares outstanding.

Whenever holding several shares is required in order to exercise any right, single securities, or a number of securities that is lower than the one required shall not confer upon their owners any rights with respect to the Company; in this event, shareholders shall be personally responsible for assembling the number of shares required.

Article 9. Form of the shares

The shares are registered shares.

They shall be registered in individual accounts in accordance with the terms and conditions provided for by current legal and regulatory provisions.

Article 10. Disposal and transfer of shares

Ownership of the shares results from their being recorded in an individual account in the name of the holder(s) in the registers held for this purpose at the Company's registered office.

Share transfers shall be carried out by electronic transfer.

Except in the event of:

- i) inheritance;
- ii) liquidation of the matrimonial property scheme;
- iii) disposal to a spouse, an ascendant or a descendant;

- iv) disposal or transfer of shares for the benefit of a private individual or a company that is already a shareholder; or
- v) disposal of shares for the benefit of an individual who is a member of the Supervisory Board:
 - ▶ where there are no restrictions on transfer;
 - ▶ the transfer of shares to a non-shareholder third party, regardless of the reason and in any form, is subject, in addition to compliance with the Order of 4 December 2017 on the approval, changes in situation and withdrawal of approval of credit institutions and to the provisions potentially applicable to companies in the public sector, to the approval of the Supervisory Board, in accordance with the provisions of Article L.228-24 of the French Commercial Code, under the following conditions:
 - ▶ the seller must forward to the Company the approval request, including the surname, names and address of the buyer, the number of shares that they plan to sell, and the price proposed;
 - ▶ the approval is granted (i) either by the seller being informed of the decision of the Supervisory Board, acting on a simple majority of its members present or represented, (ii) or within a period of three months from when the request was made, if there is no answer from the Supervisory Board;
 - ▶ in the event that the suggested buyer is not approved, and unless the seller decides to abandon the planned sale, the Executive Board is required to have the shares purchased, either by a shareholder or by a third party, or by the Company, with the seller's agreement, within three months from the date when the refusal is delivered, in order to reduce the share capital. The seller may abandon the planned sale on condition that they inform the Company *via* an extra-judicial deed, or by registered letter with request for an acknowledgement of receipt within thirty (30) days from the date the Company notified the seller of the name of the buyer suggested by the Supervisory Board;
 - ▶ if the purchase has not occurred when the three-month period provided for above expires, the approval is considered as having been granted. However, this period may be extended by a court ruling this at the Company's request;
 - ▶ if no agreement is reached between the parties in the sale scenarios listed above, the price of the shares shall be determined through an expert appraisal, under the conditions specified in Article 1843-4 of the French Civil Code.

Shares issued for cash and shares representing contributions in kind are only marketable once the Company has been registered with the Trade and Companies Registry, and upon completion of a capital increase.

TITLE III. ADMINISTRATION AND CONTROL OF THE COMPANY

The Company is managed by an Executive Board, which performs its duties under the control of a Supervisory Board.

A. Executive Board

Article 11. Executive Board – Composition

The Executive Board consists of at least two and at most five members, who are appointed by the Supervisory Board.

The members of the Executive Board must be private individuals, who may be chosen from outside the Company's shareholders, and even among the Company's salaried employees. The members of the Executive Board must fulfil the conditions of good repute, knowledge skills and experience required by the regulations applicable to companies exercising the business activities described in Article 2 of these Articles of Association.

If a member of the Supervisory Board is appointed to the Executive Board, that Supervisory Board member's office shall lapse upon his or her taking up the new duties.

In the event that a seat falls vacant, the Supervisory Board must fill it within two months. The substitute member shall be appointed for the period remaining until the Executive Board is renewed.

Failing that, any interested party may ask the Chairman of the Commercial Court, acting in summary proceedings, to make this appointment on a provisional basis.

Article 12. Length of term of office – Age limit

The Supervisory Board appoints members of the Executive Board for a period of five years, which expires at the first Supervisory Board meeting held following the fifth anniversary of this appointment. The Executive Board is renewed in its entirety when a [five]-year period has elapsed.

Members of the Executive Board may be re-elected.

Any member of the Executive Board may be dismissed by the Supervisory Board, or by the General Meeting. In the event that the interested party has entered into an employment contract with the Company, the termination of his or her duties as a member of the Executive Board shall not result in the termination of this contract.

No private individual who has reached the age of 65 may be appointed as a member of the Executive Board, or be reappointed to this position.

When a member of the Executive Board reaches the age of 65, he or she is automatically considered to have resigned as from the date of the next meeting of the Supervisory Board, which shall see to his or her replacement.

Article 13. Chairmanship of the Executive Board – Chief Executive Officers – Effective manager

13.1 Chairman

The Supervisory Board shall appoint one of the Executive Board members as Chairman.

The Chairman shall perform his or her duties during the term of office as a member of the Executive Board.

The Chairman shall represent the Company in its dealings with third parties.

The Supervisory Board may dismiss the Chairman of the Executive Board from his or her duties as Chairman at any time, based on a majority vote of the members present or represented.

13.2 Chief Executive Officers

The Supervisory Board may assign the same power of representation to one or several members of the Executive Board, who shall then bear the title of Chief Executive Officer.

The Supervisory Board may dismiss the Chief Executive Officer(s) from his or her duties as Chief Executive Officer(s).

The Supervisory Board may remove from the Chief Executive Officer(s) the powers to represent the Company in its dealings with third parties under the same conditions.

13.3 Effective managers

The effective manager role provided for in Article L. 511-13 of the French Monetary and Financial Code is exercised by all of the members of the Executive Board. They assume the duties entrusted to effective managers by banking regulations and must meet the conditions for integrity, competence and experience stated in Article L. 511-51 of the above-mentioned Code.

13.4 Representation of the Company

Any action committing the Company towards third parties shall be duly performed by the Chairman of the Executive Board or by any other member who has been granted the title of Chief Executive Officer by the Supervisory Board.

The Chairman of the Executive Board, and the Chief Executive Officer(s), where applicable, are authorised to delegate part of their powers to any corporate officers that they deem appropriate. They may in particular delegate any power to represent and commit the Company in its dealings with any third parties to a member of the Executive Board who has the skills required, as resulting from the division of duties set out under Article 13.5.

13.5 Division of management duties

Members of the Executive Board may divide the management tasks between them, with the authorisation of the Supervisory Board. However this division of powers may not prevent the effective managers, within the meaning of the banking regulations, from performing their tasks and fulfilling their remits and obligations as defined by the French Monetary and Financial Code. Moreover, it may not result in stripping the Executive Board of its role as a collective management body. The effective managers must effectively manage the Company's affairs. They shall also present the division of their respective powers to the Supervisory Board. Measures that each member of the Executive Board takes individually, within his or her area of responsibility, shall be deemed to have been accomplished collectively by the Board, and shall commit it in its entirety.

However, the Executive Board may decide that any action committing the Company beyond an amount that it shall determine on a regular basis must be authorised in advance by the Board itself. Failure to secure this approval may result in the individual concerned being personally liable towards the Company and its shareholders.

Article 14. Powers of the Executive Board

The members of the Executive Board shall manage the Company on a collective basis.

The Executive Board has been invested with the most extensive powers to act in the Company's name under all circumstances. It exercises these powers within the limits of the corporate purpose, and subject to those powers expressly granted to the Supervisory Board and to shareholders' meetings in law and by these Articles of Association. It sets the direction for the Company's business activities and ensures that they are implemented in accordance with the corporate interest, taking into account the social and environmental stakes of the business. It also takes into consideration, if applicable, the purpose for which the Company exists, defined in application of Article 1835 of the Civil Code.

In its dealings with third parties, the Company shall be committed even by actions of the Executive Board that are not related to the corporate purpose, unless it proves that the third party was aware that the action exceeded that purpose, or could not be unaware of this fact given the circumstances, although the sole publication of the Articles of Association is not enough to amount to this proof.

The following corporate transactions and decisions are subject to the prior authorisation of the Supervisory Board:

- ▶ the approval of the strategic plan and of any significant changes made to it;
- ▶ investment and divestment decisions for amounts exceeding €50,000,000 in France and abroad, and relating to:
 - any projects involving the creation of subsidiaries or branches,
 - any contribution, merger, demerger, restructuring or asset transfer plans, including *via* universal transfers of assets,
 - any joint venture or capital-intensive partnership projects,
 - any acquisition, new holding or disposal projects;
- ▶ decisions relating to the allocation of shares subscription or purchase options, or of equivalent securities, to the corporate officers and/or managers, as well as the allocation of free shares;
- ▶ decisions relating to financing transactions for terms exceeding one year and having a significant impact on the consolidated balance sheet of La Banque Postale (in excess of €1 billion) or any issuance of debt securities falling within Tier 1 or Tier 2 (additional own funds) for an amount in excess of €500 million;
- ▶ draft resolutions to be submitted to the Shareholders' Meeting, pursuant to Article L. 228-92 of the French Commercial Code, and relating to the issuance of marketable securities, giving access to other equity securities or giving the right to the allocation of debt securities or to the issue of marketable securities that give access to equity securities to be issued, and to the setting of the issuance terms and conditions for said marketable securities;
- ▶ dividend distribution proposals and related transactions.

At the request of the CDC Member mentioned in Article 19.1.1, the direction in which the Company or its fully consolidated subsidiaries plan to vote at the general meetings of CNP Assurances is subject to the prior authorisation of the Supervisory Board under the conditions provided for in its internal rules.

The Executive Board shall present a report on the conduct of the Company's affairs to the Supervisory Board at least once a quarter.

In the three months following the close of each financial year, the Executive Board shall approve the separate financial statements, and, where applicable the consolidated financial statements and the related management report, and present them to the Supervisory Board for examination and checking. It will suggest the appropriation of net income for the year just ended.

The Executive Board shall convene the General Meetings of Shareholders, shall set their agenda and execute their decisions.

Article 15. Structure and operation of the Executive Board

The Executive Board shall meet as often as the Company's interests require it to do so, on the invitation of its Chairman, its Chief Executive Officer, if it has one, or of at least half of its members, either at the registered offices, or at any other location mentioned in the notice of meeting.

The agenda shall be set by the person notifying the meeting, no later than the day before the scheduled meeting. However, in the event of urgency, the agenda may be set at the time of the meeting.

The notice of meeting may be communicated by any means.

The statutory auditors shall be invited to those Executive Board meetings at which the separate or interim financial statements are reviewed or approved.

A member of the Executive Board may ask another member to represent him or her.

The Chairman, or in his or her absence, a member who is present and appointed by the Executive Board and takes the title of Chairman, shall chair the meetings.

The actual presence of at least half of the members is required for the discussions to be valid, or the presence of both members, if the Executive Board consists of only two members. For the purpose of calculating the quorum and majority, members who take part in the Executive Board meeting by video-conferencing facilities that comply with technical characteristics guaranteeing effective participation in the Executive Board meeting, where proceedings must be broadcast on an uninterrupted basis, shall be deemed present, except for the approval of the separate and consolidated financial statements and the management report.

In the event of a tied vote, the Chairman shall have the casting vote.

Regardless of their form, the discussions of the Executive Board shall be recorded in minutes drawn up in a special register, or on serially numbered loose-leaf sheets. These sheets or the register shall be kept at the Company's registered office. They shall be signed by the Chairman and all the Executive Board members present, and shall be circulated to all members of the Executive Board.

Copies or excerpts of the minutes of the discussions are duly certified by the Chairman of the Executive Board, or by one of the members of the Executive Board or a person empowered for this purpose by the Executive Board.

Where applicable, the Executive Board ratifies the internal rules specifying its operating procedures.

Article 16. Remuneration of Executive Board members

The Supervisory Board shall set the remuneration method and amount for each member of the Executive Board in accordance with the current legal provisions and regulations.

Article 17. Holding of multiple offices by Executive Board members

Members of the Executive Board must comply with the rules governing the plurality of offices as defined by the current laws and regulations, and in particular the provisions of the French Commercial Code, and the French Monetary and Financial Code.

Any private individuals, who find themselves in breach of the above provisions after having accepted a new office, must resign from one of their offices within three months of their appointment.

Article 18. Liability of Executive Board members

Without prejudice to the specific liability that may arise from the Company entering receivership, the members of the Executive Board shall be liable, individually or jointly, depending on the case, towards the Company or third parties, either for breaching the legal or regulatory provisions applicable to limited companies, or for breaching the Articles of Association, or for errors committed under their management.

B. Supervisory Board

Article 19. Supervisory Board

19.1 Composition

19.1.1 – The Supervisory Board consists of three members at least and of eighteen members at most, including a third of members representing the employees and, if applicable, a representative appointed by the State in accordance with the legislative and regulatory provisions in effect, and a member of the Board of Directors of La Poste appointed, at the recommendation of the Caisse des dépôts et consignations, by the General Meeting (the “CDC Member”).

The members of the Supervisory Board must fulfil the conditions of legal capacity, skills and good reputation required by the regulations applicable to companies exercising the business activities described in Article 2 of these Articles of Association.

Members of the Supervisory Board other than employee representatives are appointed from among private individuals or companies by the Ordinary General Meeting.

The General Meeting may dismiss any member of the Supervisory Board it has appointed at any time.

19.1.2 – The members of the Supervisory Board representing the employees are elected under the conditions provided for in the provisions of Articles 7 to 9 of Order No. 2014-948 of 20 August 2014 (in reference to Article 10-1 of law No. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom).

Any employee representative may be dismissed for gross misconduct in the exercise of his or her office as a member of the Supervisory Board, by decision of the President of the court of justice ruling *via* an expedited procedure on the merits at the request of the majority of the members of the Supervisory Board.

19.2 Reappointment

The offices of all members of the Company's Supervisory Board shall end on the same day, at the end of a five-year term. During the existence of the Company, the members of the Supervisory Board may be reappointed under the current legal and regulatory provisions.

The members representing the employees are eligible for reappointment.

In the event that a Supervisory Board member's seat falls vacant, for any reason whatsoever, the replacement member shall only exercise his or her office for the period remaining until the renewal of the entire Board.

In the event that a new member is appointed to the Board by the General Meeting outside the date when the entire Board is renewed, the new member shall only hold his or her office for the period remaining until the renewal of the entire Board.

19.3 Restrictions on the holding of multiple offices

Members of the Supervisory Board must comply with the rules governing the plurality of offices as defined by the current laws and regulations and in particular by the provisions of the French Commercial Code and the French Monetary and Financial Code.

Any private individuals, who find themselves in breach of the above provisions after having accepted a new office, must resign from one of their offices within three months of their appointment.

19.4 Combining office with an employment contract

In accordance with legal provisions, the number of members of the Supervisory Board who have an employment contract with the Company may not exceed one-third of the serving members on the Board. The members of the Supervisory Board representing the employees are not counted in this number.

19.5 Incompatibility – Restrictions

The performance of the office of a Supervisory Board member must not be incompatible with the holding of certain public or professional duties.

No member of the Supervisory Board may be a member of the Executive Board. If a member of the Supervisory Board is appointed to the Executive Board, that Supervisory Board member's office shall lapse upon his or her taking up the new duties.

In addition, no one may be appointed to the Supervisory Board or remain on the Board if they find themselves subject to any court order that results in them being prohibited from running or directing any firm or company.

19.6 Supervisory Board membership for legal entities

A legal entity may be appointed as a member of the Supervisory Board. The legal entity is required to appoint a Permanent Representative at the time it is appointed.

Permanent representatives are subject to the same rules as members who are private individuals, particularly where restrictions and disqualifications, and the age limit, are concerned.

In cases where the legal entity withdraws its Permanent Representative's mandate, it is required to provide for his replacement at the same time. The same applies in the event of the death or resignation of the Permanent Representative. The legal entity is required to notify the Company of this death or resignation, together with the identity of the member's successor without delay, by registered letter with request for an acknowledgement of receipt.

19.7 Status of the members of the Supervisory Board representing the employees in application of Order No. 2014-948 of 20 August 2014 (in reference to Article 10-1 of law No. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom).

The mandate of a Supervisory Board employee representative is incompatible with any other elected or appointed office involving the representation of employees' interests within the Company or its subsidiaries, and particularly with the positions of trade union representative, member or alternate member of the social and economic committee. The aforementioned mandates and their related protection shall lapse upon at the date of taking up the new office.

An employee representative's membership of the Supervisory Board is also incompatible with holding the position of full-time union representative. In the event of the appointment to the Supervisory Board of an employee who holds the position of full-time union representative at La Poste, the Company or its subsidiaries, his or her duties as representative shall be terminated and the person concerned shall resume his or her position as an employee.

Employee representative members of the Supervisory Board shall be granted a minimum time period of 15 hours per month to fulfil their mandate. The length of the Supervisory Board meetings is not deductible from this allowance, nor is the time spent on their training in company management.

The mandates of employee representatives shall end automatically when they no longer fulfil the eligibility conditions stated in Article 15 of law No. 83-675 of 26 July 1983 amended as a result of the democratisation of the public sector.

Article 20. Shares held by members of the Supervisory Board

Members of the Supervisory Board are not required to own a minimum number of Company shares.

Article 21. Length of term of office – Age limit

Without prejudice to the application of Article 19.2 of these Articles of Association, members of the Supervisory Board are appointed for a period of five years. They may be re-elected.

No private individual or legal entity representative who is aged over seventy may be appointed, elected or reappointed as a member of the Supervisory Board. In addition, the number Supervisory Board members who have reached the age of seventy shall not exceed one-third of the serving members of the Supervisory Board.

If the proportion of one-third is exceeded due to the fact that a serving member of the Supervisory Board comes to be older than seventy, the oldest member of the Supervisory Board shall automatically be deemed to have resigned.

Article 22. Vacancy – Co-option – Ratification

In the event of a vacancy due to the death or resignation of one or more members appointed by the General Meeting, the Supervisory Board may replace them on a temporary basis. The appointment of the replacement members must be approved at the next General Meeting.

If ratification is not granted, the resolutions voted and the actions accomplished by the Supervisory Board or by this member during their management term would nonetheless remain valid.

When a seat is left vacant by an employee representative, the candidate on their list immediately after the last candidate elected, subject to, in accordance with the legal and regulatory provisions applicable, the impact of the deletions expressed, shall be called upon to replace them. If the list in question is not sufficient to fill the vacancies, the seats that are not filled shall remain vacant up until the following election. However, if the number of vacancies exceeds half the employee representative seats, a partial election shall be organised, except during the remaining six months of the term of office.

Substitute members shall only hold their office for the period remaining until the renewal of the entire Supervisory Board.

If the number of Supervisory Board members falls below the legal minimum, the Supervisory Board must immediately convene the Ordinary General Meeting in order to supplement the numbers on the Board.

Article 23. Board officers

The Supervisory Board shall elect a Chairman and a Vice-Chairman among its members. The Chairman, or in the absence of the Chairman, the Vice-Chairman, where applicable, is responsible for convening the Supervisory Board and directing its discussions. The Chairman and the Vice-Chairman, where applicable, shall hold their office for the duration of their term of office as a member of the Supervisory Board.

The Supervisory Board shall determine their remuneration, where applicable.

The Supervisory Board may appoint a secretary, who may be chosen from outside its members.

Article 24. Supervisory Board proceedings – Minutes

24.1 Supervisory Board meetings

The Supervisory Board shall meet at the registered office or in any other location specified in the notice of meeting, as often as the Company's interests require it to do so, and at least once a quarter, in order to review the Executive Board's report.

The Supervisory Board shall consider any matter included in the agenda by the Chairman or the Board, taking decisions on the basis of a simple majority.

The agenda may be set at the time of the meeting.

The Supervisory Board is convened by the Chairman, by any means.

In the event of the absence of the Chairman of the Supervisory Board, the Vice-Chairman may convene the Supervisory Board by any means.

The Company's Social and Economic Committee shall be represented at the meetings of the Supervisory Board in accordance with the provisions of Article L. 2312-74 of the French Labour Code.

In addition, in the case provided for in the fifth paragraph of Article 14 of these Articles of Association, the Chairman must convene the Supervisory Board at the request of the CDC Member.

A member of the Supervisory Board may give another member of the Board a mandate to represent him or her at any Supervisory Board meeting by letter, email, or fax.

Each member of the Supervisory Board may only have one proxy for a given meeting.

Under the conditions and subject to the exceptions provided by law, the Supervisory Board's resolutions may be voted by videoconference or through the use of all means of telecommunication or remote transmission that enable the members to be identified under the conditions set by the current legislation.

An attendance register is kept, which is signed by the Supervisory Board members taking part in the meeting. The actual presence of at least half the Supervisory Board members is required for the discussions to be valid. Members of the Supervisory Board who take part in the Supervisory Board meeting *via* videoconference, or by any of the telecommunication or remote broadcasting means listed in the previous paragraph, shall be deemed present for the purpose of calculating the quorum and majority. The minutes shall mention the members of the Supervisory Board who took part in said Board meeting by videoconference or any other telecommunication or remote broadcasting means. The attendance register can be kept in electronic form under the legal and regulatory conditions in effect.

Subject to the following paragraph, decisions are taken by a majority of members who are present or represented. Each member present or represented has one vote. The Chairman of the meeting has the casting vote in the event of a tied vote.

The authorisation mentioned in the fifth paragraph of Article 14 is provided by a majority of the members present or represented, including the vote of the CDC Member.

The Supervisory Board's discussions shall be recorded in minutes written in a special register or on serially numbered loose-leaf sheets. These sheets or the register shall be kept at the Company's registered office. They shall be signed by the Chairman of the meeting and one of the Supervisory Board members present. In the event that the Chairman of the meeting is unable to attend, they shall be signed by two members of the Supervisory Board. The

minutes shall be provided to all members of the Supervisory Board. This special register can be held, and the minutes prepared, in electronic format under the legal and regulatory conditions in effect.

24.2 Written consultation

In accordance with Article L. 225-82 of the French Commercial Code, the Supervisory Board can take decisions within its powers provided for in the second paragraph of Article L. 225-65 and in Article L. 225-78 *via* written consultation of the members of the Supervisory Board.

The Chairman of the Supervisory Board must send to or provide each member of the Supervisory Board with the text of the proposed resolutions and the documents necessary to ensure that they are well informed.

The members of the Supervisory Board have 10 days as of the receipt or provision of the draft resolutions to send in their vote in writing unless a shorter time-frame is requested by the Chairman of the Board in the event of an emergency. The vote for each resolution must consist of the words "yes", "no" or "abstain". The answers of the Supervisory Board's members must be addressed to the Company, to the attention of the Chairman of the Supervisory Board and/or the Secretary of the Board.

Any member of the Supervisory Board who has not answered within the time-frame stated in the previous paragraph will be deemed to have abstained. Likewise, in the event that there is no vote for one of the proposed resolutions or in cases when the direction of the vote for one of the proposed resolutions has not been clearly indicated, the member of the Supervisory Board will be deemed to have abstained for the resolution in question.

All members of the Supervisory Board can request additional information from the Chairman within the response time-frame allocated.

The majority conditions set for decisions taken in accordance with Article 24-1 of these Articles of Association are applied in exactly the same way to written consultations.

The consultation is listed in the minutes, prepared and signed by the Chairman. The minutes provide the consultation procedure, the first and last names of the members of the Supervisory Board taking part in the vote, the documents and information provided to the members of the Supervisory Board, the text of the resolutions voted on and the results of the voting. A table summarising the direction of the votes for each resolution and each Supervisory Board member must be attached to the minutes. The minutes must be submitted for the approval of the Supervisory Board at one of its later meetings.

Article 25. Remit and powers of the Supervisory Board

The Supervisory Board exercises ongoing control over the management of the Company through the Executive Board, and grants the latter prior authorisation to enter into transactions that the Executive Board cannot perform without its authorisation, in accordance with Article 14 of these Articles of Association.

The Supervisory Board shall hold discussions on the Company's main strategic, economic, financial and technological orientations, and specifically on the corporate or programme contract, prior to the Executive Board's decisions.

The Supervisory Board shall perform the tasks assigned to the supervisory body pursuant to the order of 3 November 2014 on internal control for companies in the banking, payment services and investment services sectors under the supervision of the French Prudential Supervision and Resolution Authority (ACPR).

In addition, the Supervisory Board shall authorise the disposal of shares to a third party, in accordance with the provisions of Article 10 of these Articles of Association.

The Board shall perform the checks and controls that it deems necessary at any time of the year, and may ask for disclosure of the documents that it considers necessary to perform its remit.

It shall authorise agreements, in accordance with the provisions of Article L. 225-86 of the French Commercial Code.

It shall present its observations on the Executive Board's report, and on the financial statements for the year to the Annual Ordinary General Meeting.

It shall decide on relocating the registered office in France, subject to the approval of this decision by the next Ordinary General Meeting.

The Supervisory Board may assign to one or more of its members any special duties for one or more determined purposes.

The Supervisory Board shall approve the internal rules specifying its operating procedures, and those of the special committees that it may have set up.

The Supervisory Board shall appoint, and may dismiss the members of the Executive Board.

The Supervisory Board shall suggest the appointment or renewal of the statutory auditors to the General Meeting.

Article 26. Remuneration of Supervisory Board members

The General Meeting may award an annual fixed amount to the members of the Supervisory Board, as remuneration for their duties. This amount shall be recognised under operating expenses.

The Supervisory Board shall divide the remuneration allocated between its members in accordance with legal and regulatory provisions in effect.

The remuneration of the Chairman and Vice-Chairman shall be determined by the Supervisory Board, in accordance with the current legal and regulatory provisions.

The Supervisory Board may award exceptional remuneration amounts for special duties or remits assigned to members of the Board. These exceptional remuneration amounts are subject to the provisions of Article L. 225-86 of the French Commercial Code.

The expenses incurred by the members of the Supervisory Board in the exercise of their functions shall be reimbursed by the Company on production of substantiating documentation.

The members of the Supervisory Board representing the employees shall not receive any remuneration, without prejudice to the reimbursement of the expenses listed in the previous paragraph.

Article 27. Liability of Supervisory Board members

The Supervisory Board members are liable for personal errors committed in the performance of their duties of office. They shall incur no liability for management actions or for their outcome.

They may be pronounced civilly liable for the offences committed by members of the Executive Board, if they did not disclose them to the General Meeting when they became aware of them.

The members of the Supervisory Board representing the employees, elected within the framework of Order 2014-948 of 20 August 2014 (in reference to Article 10-1 of law No. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom as amended by law No. 2019-486 of 22 May 2019) cannot in any event be declared jointly liable with the members of the Supervisory Board representing the shareholders. Their liability shall be assessed paying due regard to the fact that their tenure of office is unpaid.

Article 28. Supervisory Board committees

The Supervisory Board may decide to set up Board committees responsible for assisting it, and shall determine the composition, the special powers and the potential remuneration of their members, who shall execute their tasks under its responsibility. The Chairman of each Committee is appointed by the Supervisory Board.

The Supervisory Board shall in particular establish the committees as provided by the French Commercial Code and the French Monetary and Financial Code.

Article 29. Non-voting advisors

The Supervisory Board may appoint one or several non-voting advisors, whose remit is to assist the Supervisory Board in performing its control duties, and who take part in Supervisory Board meetings on a non-voting basis.

Each non-voting advisor is appointed for a period of one year, which is renewable indefinitely.

Non-voting advisors are not required to be shareholders, and their work on behalf of the Company may be remunerated as determined by the Supervisory Board.

TITLE IV. SHAREHOLDERS' MEETINGS

Article 30. General meetings – Convening – Composition

General Meetings are convened by the Executive Board under the conditions determined by law, or, where applicable, by the Supervisory Board, the statutory auditors, or a corporate officer appointed by the Chairman of the Commercial Court, acting on a summary basis at the request of one or several shareholders who represent at least 5% of the share capital.

The meetings shall take place at the registered office or at any other location in France specified in the notice of meeting.

The General Meeting meets at least once a year before 31 May in order to approve the separate financial statements.

The notice of meeting is sent to shareholders no later than fifteen days before the meeting date, either *via* a standard letter, or *via* a registered letter with request for an acknowledgement of receipt or by email, in accordance with Article R.225-63 of the French Commercial Code.

Where a meeting has been unable to deliberate validly, due to the lack of the required quorum, a second meeting, and where applicable, the extended second meeting shall be called in the same manner as the first meeting, and the notice of meeting shall remind the recipients of the date of the first meeting, and shall set out its agenda again. The notice of meeting shall be sent at least ten days before the meeting upon the second notice of meeting.

All shareholders may take part in the meetings, in person or by proxy, on presentation of proof of identity and of the ownership of their shares, in the form of a registered entry in their name in the Company's registers, made at least two days before the meeting. The Executive Board may cancel or shorten this time limit, but only for the benefit of all shareholders.

All shareholders may also vote remotely, according to the legal and regulatory procedures.

Shareholders who take part in the meeting *via* video-conference, or *via* any other means that enables them to be identified, the nature

and conditions for which are determined by Council of State decree, shall be deemed present for calculating the quorum and majority.

A shareholder may be represented only by his/her spouse, partner in a civil solidarity pact or another shareholder.

Corporate shareholders shall take part in meetings through their legal representatives or through any person the latter may appoint for this purpose.

The meetings are chaired by the Chairman of the Supervisory Board or, in his or her absence, by the Vice-Chairman specifically appointed to this effect by the Supervisory Board. Failing this, the General Meeting shall appoint its own Chairman.

In the event that the meeting is convened by a statutory auditor or by a court-appointed representative, the General Meeting shall be chaired by the issuer of the notice of meeting.

The Board of officers thus constituted shall appoint a secretary, who may be chosen from outside the members of the General Meeting.

The tellers' duties shall be fulfilled by the two members of the General Meeting who are present and accept their office, both for themselves and as proxies, and who hold the largest number of shares.

The General Meeting's discussions are recorded in minutes signed by the Board officers, and written on a special register in accordance with the law. Copies and excerpts of these minutes are duly certified under the conditions set in law. The register can be kept in electronic form under the legal and regulatory conditions.

Article 31. General meeting proceedings

Ordinary and Extraordinary General Meetings, sitting under the quorum and majority conditions specified by the respective provisions that govern them, exercise the powers that are assigned to them in law.

TITLE V. COMPANY FINANCIAL YEAR – FINANCIAL STATEMENTS – AUDIT

Article 32. Company financial year

Every company financial year shall run for a period of 12 months beginning on 1 January and ending on 31 December each year.

Article 33. Appropriation of net income

If a distributable profit, as defined by law, arises from the financial statements for the year, as approved by the General Meeting, the latter may decide to assign that profit to one or more reserves, for which the meeting sets the allocation and use, to carry it forward to retained earnings, or to distribute it.

Upon noting the existence of reserves available to it, the General Meeting may decide to distribute amounts drawn from those reserves. In this case, the decision shall expressly indicate the specific reserves from which the drawings are made.

However, dividends shall be deducted first from the distributable profit for the year.

The General Meeting has the power to grant each shareholder the option of payment of the dividend or interim dividends in cash or in shares, for all or part of the dividend or interim dividend distributed.

The procedures for paying dividends in cash are set by the General Meeting, or, failing which, by the Executive Board.

However, the dividend payment must occur within a maximum period of nine months after the close of the financial year, unless that period is extended by a court order.

When a balance sheet drawn up during or at the end of the financial year, and certified by a statutory auditor, shows that the Company has made a profit since the close of the previous financial year, after recording the required depreciation and amortisation

and provision charges, and after deducting prior losses, where necessary, as well as the amounts to be recorded under reserves pursuant to the law and to the Articles of Association, and taking earnings carried forward into account, an interim dividend may be distributed, before the approval of the financial statements for the year. The amount of this interim dividend may not exceed the amount of the profit thus determined.

The Company may not demand that shareholders return a dividend, unless it was distributed in breach of legal provisions, and the Company establishes that the beneficiaries were aware of the irregular nature of this distribution at the time it was made, or could not have been unaware of it, given the circumstances.

Any right of action in recovery shall lapse three years after these dividends are made payable. Dividends that are not claimed within five years of their payment shall lapse.

Article 34. Statutory auditors

The Company is audited by at least two statutory auditors, who fulfil the legal eligibility conditions.

Each statutory auditor is appointed by the Ordinary General Meeting in compliance with the special regulations that apply depending on the Company's business activities.

Article 35. Government commissioner

A government commissioner may be appointed in application of the provisions of Article 15 of Order no. 2014-948 of 20 August 2014 on governance and transactions of share capital of public companies (in reference to Article 10-1 of law No. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and France Télécom).

TITLE VI. DISSOLUTION – DISPUTES

Article 36. Dissolution

When the Company's term expires, or in the event of early dissolution, the General Meeting shall choose the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine, and who shall fulfil their duties in accordance with the law.

The liquidator(s) shall represent the Company. Following asset liquidation and the settlement of liabilities, the liquidator(s) shall distribute any available balance.

The remaining net assets following the redemption of the shares at their nominal value shall be shared among the shareholders in proportion to their interest in the share capital.

Article 37. Disputes

Any disputes on company-related issues that may arise during the life of the Company or on its liquidation, either between the shareholders, the members of the Board, or the statutory auditors and the Company, or between the shareholders themselves, shall be judged in accordance with the law and subject to the jurisdiction of the competent courts.

SUPERVISORY BOARD CHARTER AND INTERNAL RULES

9

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9.1 SUPERVISORY BOARD MEMBERS' CHARTER

At its meeting of 25 January 2006, La Banque Postale's Supervisory Board adopted this Charter for the Board member (the "Charter"), which aims to specify the rights, obligations and principles applicable to the members of La Banque Postale's Supervisory Board.

Article 1. Assumption of office

When they assume office, each member of the Supervisory Board is given a copy of the Legal and regulatory provisions that apply to their position within La Banque Postale, a copy of the internal rules of the Supervisory Board and of the special committees set up within the Board, and this Charter, as well as the provisions relating to the rights and obligations of Board members, as defined in Articles 7 to 13 of Section II, Chapter I, of the law of 26 July 1983 on the democratisation of the public sector.

Article 2. Compliance with laws and regulations and the corporate interest

2.1 – Every member of the Board must be fully aware of their rights and obligations at all times. Specifically, they must understand and comply with the legal and regulatory provisions applicable within La Banque Postale, and with the provisions of the internal rules of the Supervisory Board and of the existing special committees.

2.2 – Every member of the Board shall act in the Company's corporate interest at all times. They shall abide by the principles listed in the Charter.

2.3 – Every member of the Board may, at any time, consult the Supervisory Board's Secretariat regarding the scope of the provisions governing the rights and obligations relating to their office.

Article 3. Holding of office – Guiding principles

Every member of the Board shall fulfil their duties with independence and loyalty, and in a professional manner, and shall undertake to take the measures required when they believe in good faith that they are no longer fully able to carry out their mandate.

Article 4. Personal involvement

4.1 – Every member of the Board undertakes to devote all the time and attention required by their mandate to examine the applications submitted to the Board and the issues that are entrusted to them on a more specific basis, as well as to the work of the committee(s) of which they are a member. They undertake to take part in all the Supervisory Board meetings in an attentive and diligent manner, unless they are prevented from doing so.

4.2 – Every member of the Board is responsible for requesting the information that they believe is useful to them within the appropriate time frame, in order to be able to discuss it with the Board in full knowledge of the facts.

4.3 – Every member of the Board must familiarise themselves with the Company's business lines and specific features, its challenges, its values, and its regulatory environment. Every member of the Board must make efforts to update the knowledge that is useful to them in fulfilling their mandate properly.

Article 5. Duty to speak

5.1 – Every member of the Board has a duty to express the questions and opinions resulting from the fulfilment of their mandate.

5.2 – In the event of a disagreement, they shall ensure that their position or proposals are expressly entered in the minutes of the discussions.

Article 6. Independence

6.1 – Every member of the Board undertakes to maintain their independence of analysis, judgement, decision and action under any circumstance, and to reject any direct or indirect pressure that may be exercised on them.

6.2 – During the term of their mandate, or after it has ended, members of the Board undertake not to accept any benefits of any kind from La Banque Postale or from related firms or companies, either directly or indirectly, which are likely to be considered of a nature to compromise their independence during the term of their mandate or beyond it.

6.3 – Every member of the Board undertakes, during the term of their mandate, to notify the Chairman of the Supervisory Board immediately of any situation involving the holding of multiple offices, within companies or other legal entities governed by French or foreign law.

Article 7. Potential conflicts of interest

7.1 – Without prejudice to the application of the French Commercial Code provisions relating to the control of regulated agreements, every member of the Board shall inform the Supervisory Board and its Chairman of any situation concerning them that is likely to create a conflict, even one that is potential or temporary, with the interests of La Banque Postale or any of its subsidiaries, as soon as they become aware of it.

7.2 – In such cases, the member of the Supervisory Board shall:

- ▶ abstain from taking part in the discussions and from any decision on the issues in question, if the conflict of interest is temporary;
- ▶ take all measures aimed at ending said conflict of interest, including tendering their resignation from their office as a Board member to the Chairman of the Supervisory Board, if the conflict of interest proves to be ongoing.

7.3 – Generally speaking, every member of the Board shall undertake to avoid any conflict that may exist between their material or moral interests and those of La Banque Postale or any of its subsidiaries.

Article 8. Confidentiality

8.1 – Every member of the Board personally undertakes to respect the absolute confidentiality of the information that they receive, of the discussions in which they participate, and of the decisions taken by the Supervisory Board, under the conditions determined in Article 8 of the Supervisory Board internal rules.

8.2 – Every member of the Board shall refrain from using, revealing or disclosing, for their own benefit or for the benefit of any third party, any non-public information regarding La Banque Postale or any of its subsidiaries, their activities or their projects, that they are aware of due to their capacity as a Board member.

Article 9. Effectiveness of the Board's operations

9.1 – Every member of the Board shall contribute, through their active participation, to the collective spirit and effectiveness of the work performed by the Supervisory Board and by any special committees set up within it, and to the tasks in which they participate.

9.2 – Every member shall express any recommendation that they believe will improve the operating procedures of the Supervisory Board, particularly within the context of any meeting of the Supervisory Board that addresses its operations. The same goes for any of the special committees where they participate in the tasks.

9.3 – Along with the other members of the Supervisory Board, every member shall strive to ensure that the control bodies fulfil their remit effectively, and without hindrance. Specifically, members shall ensure that they are informed of the implementation of procedures enabling controls on compliance with the laws and regulations within the Company.

9.4 – Every member shall ensure that, without exception, the positions adopted by the Supervisory Board are the subject of formal decisions, which are correctly reasoned and registered in the minutes of its meetings.

9.5 – In the event that a member of the Supervisory Board ceases to be in a position to fulfil their mandate in compliance with the Charter, whether of their own volition or for any other reason, they must inform the Chairman and the Board, seek solutions to resolve the situation and, failing that, make their mandate available to the Board.

Article 10. Endorsement of the Charter

Every member of the Supervisory Board shall endorse this Charter as soon as they assume their office.

9.2 INTERNAL RULES OF THE SUPERVISORY BOARD OF LA BANQUE POSTALE

The Supervisory Board of La Banque Postale (the “**Company**”) decided at its meeting of 25 January 2006 to adopt the present internal rules of the Board (the “**Internal Rules**”) which are designed to supplement the articles of Section III of the Company’s Articles of Association, particularly with regard to the functioning and organisation of the Supervisory Board and its relations with the Executive Board.

Article 1. Powers of the Supervisory Board

The Supervisory Board exercises the powers granted to it by law and regulations, and by the Company’s Articles of Association.

The following corporate transactions and decisions are subject to the prior authorisation of the Supervisory Board:

- ▶ the approval of the strategic plan and of any significant changes made to it;
- ▶ investment and divestment decisions for amounts exceeding €50,000,000 in France and abroad, and relating to:
 - any projects involving the creation of subsidiaries or branches,
 - any contribution, merger, demerger, restructuring or asset transfer plans, including *via* universal transfers of assets,
 - any joint venture or capital-intensive partnership projects,
 - any acquisition, new holding or disposal projects;
- ▶ decisions relating to the allocation of shares subscription or purchase options, or of equivalent securities, to the corporate officers and/or managers, as well as the allocation of free shares;
- ▶ decisions relating to financing transactions for terms exceeding one year and having a significant impact on the consolidated balance sheet of La Banque Postale (in excess of €1 billion) or any issuance of debt securities falling within Tier 1 or Tier 2 (additional own funds) for an amount in excess of €500 million;
- ▶ draft resolutions to be submitted to the Shareholders’ Meeting, pursuant to Article L. 228-92 of the French Commercial Code, and relating to the issuance of marketable securities, giving access to other equity securities or giving the right to the allocation of debt securities or to the issue of marketable securities that give access to equity securities to be issued, and to the setting of the issuance terms and conditions for said marketable securities;
- ▶ dividend distribution proposals and related transactions.

At the request of the member of the Supervisory Board of the Company, who is also a member of the Board of Directors of

La Poste appointed on the recommendation of the Caisse des dépôts et consignations as provided for in Article 19 of the Articles of Association of the Company (the **CDC Member**), the direction of the votes which the Company, or of its subsidiaries which it consolidates by full consolidation, plan to exercise in the General Meetings of CNP Assurances is subject to the prior authorisation of the Supervisory Board. In the event that the Supervisory Board does not provide its authorisation, the Executive Board of the Company can bring the disagreement before its General Meeting, in accordance with the provisions of Article R. 225-40 of the French Commercial Code.

Moreover, the Supervisory Board ensures performance of the duties assigned under the French Monetary and Financial Code and by the decree of 3 November 2014 on the internal control of banking sector companies, payment services and investment services supervised by the French Prudential Supervision and Resolution Authority (ACPR). Pursuant to these provisions, it adopts and regularly revises the general principles of the remuneration policy; in particular, it approves the overall risk limits and determines guidelines regarding the programme of periodic audit assignments, compliance obligations and the risk management function.

The Board may ask the Chairman, or a member of the Board appointed for this purpose, or else one of the committees provided for in Article 2, for verifications or specific information or any other assignments regarding specific items.

Article 2. Supervisory Board committees

In order to prepare some of the Supervisory Board’s work, the Board creates committees. It determines their composition and responsibilities and appoints the Chairman:

- ▶ risk Committee;
- ▶ financial Statements Committee;
- ▶ nomination Committee;
- ▶ compensation Committee;
- ▶ strategy Committee.

Article 3. Supervisory Board meeting attendees

3.1 Appointment of participants

In addition to the members of the Supervisory Board appointed in accordance with the legal and regulatory provisions, the following shall take part in meetings of the Supervisory Board, in a non-voting role:

- ▶ the statutory auditors, who by law must be invited to attend any Supervisory Board meetings at which the Company's annual or interim financial statements are examined;
- ▶ the Secretary of the Social and Economic Committee, who must be invited to attend by law⁽¹⁾;
- ▶ the Government Commissioner⁽²⁾;
- ▶ the members of the Executive Board;
- ▶ the Secretary of the Board;
- ▶ any person whose skills and expertise the Chairman may deem necessary to the accomplishment of the Board's tasks.

The persons thus invited may, like the members of the Supervisory Board, attend the Board meeting by the means and under the conditions stipulated in Article 5.4 hereafter.

Their attendance at the Board meeting shall be mentioned in the minutes of each meeting.

3.2. Chairmanship and Secretariat of the Supervisory Board

- a) The Chairman, or the Vice-Chairman where applicable in the absence of the Chairman, directs the discussions and ensures compliance with the legal and regulatory provisions in relation to the Internal Rules. He may, if necessary, order an adjournment of the meeting.
- b) The Board may appoint, under the conditions of Article 23 of the Articles of Association, a permanent secretary of the Company's Supervisory Board, with the following powers:
 - organising meetings of the Supervisory Board, in accordance with the principles set out in Article 4 of these regulations, keeping an up-to-date schedule of meetings of the Board and preparing minutes reporting the proceedings of each meeting in accordance with the provisions of Article 6 of these Internal Rules;
 - certifying any copy or excerpt of the minutes of the decisions of the Supervisory Board and of the proceedings of the Company's General Meeting;
 - maintaining the register of share movements and the Company's shareholder registers, maintaining them up-to-date and certifying any copy of these documents;
 - maintaining the register of Supervisory Board minutes and the register of minutes of General Meetings; and
 - in general, completing all legal formalities of filing, publicity and registration with the Trade and Companies Registry (RCS).
- c) The Secretary of the Supervisory Board nominated, except in the case of absence, as meeting secretary at each Supervisory Board meeting, is in charge of maintaining the Supervisory Board attendance register, counting the votes and drawing up

the minutes of the meeting under the responsibility of the Chairman of the Board.

Article 4. Convocations to Supervisory Board meetings

4.1 Convocation

a) Frequency

The Supervisory Board shall meet as often as the Company's interests require it to do so and at least once each quarter to review the Executive Board's report.

In addition, in the case provided for in the third paragraph of Article 1, the Chairman must convene the Supervisory Board at the request of the CDC Member.

b) Form and content

The participants are invited to attend Supervisory Board meetings by any means, and for this purpose shall provide their contact details to the Secretary of the Board. The invitation is made by the Chairman, or failing this when they are absent, by the Vice-Chairman. It may be communicated by the Secretariat of the Board.

The notice of meeting shall indicate the date, venue and agenda of the meeting, and, where applicable, the necessary information to allow members of the Board to take part in meetings by the means referred to in Article 5.4 below. This latter information may, however, be specified subsequently by the author of the notice of meeting with the same formal requirements as the notice of meeting itself.

Meetings of the Supervisory Board shall take place either at the registered office or at any other location indicated in the notice of meeting.

c) Provisional schedule

At the last Board meeting for the financial year, at the latest, the Supervisory Board shall establish a provisional schedule of its upcoming meetings. This provisional schedule shall be updated by the Board secretary during the year.

4.2 Deadlines for meeting notices

A period of at least ten days must be observed between the date of sending the notice and the date on which the Supervisory Board meeting covered by said notice takes place.

However, the Chairman is authorised to add to or amend the agenda of a meeting convened previously by sending another notice before the planned date of the meeting, specifying the agenda thus added to or amended and giving a reminder of the date and venue of the meeting.

The Chairman may also, in case of emergency, convene an extraordinary meeting of the Supervisory Board on a defined agenda. In this case, the minimum period of ten days does not apply. Exceptionally, in the case provided for in the third paragraph of Article 1, the Supervisory Board must meet as soon as possible following the request from the CDC member and, in any event, within five calendar days as of the request.

(1) Pursuant to Article L. 2312-74 of the French Labour Code.

(2) A government commissioner may be appointed in application of the provisions of Article 15 of Order No. 2014-948 of 20 August 2014 on governance and transactions of share capital of public companies (in reference to Article 10-1 of law No. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and France Télécom).

4.3 Documents and information

The necessary and relevant internal documents to enable the participants to give an informed decision regarding the items on the agenda shall be sent by mail or by secure electronic media, if possible at the same time as the notice of meeting and, except in exceptional, cases at least six days before the date of the Board meeting.

The documents communicated to the participants shall be treated as strictly confidential, in the terms specified in Article 10 below, unless otherwise decided at the Supervisory Board meeting.

The minutes of the previous meeting shall be approved at the next ordinary Supervisory Board meeting.

Article 5. Supervisory Board deliberations

5.1 Attendance register

An attendance register is maintained, which is initialled at the start of the meeting by the Supervisory Board members attending either in their personal capacity or in their capacity as proxy.

When persons participate in the Board meeting by the means referred to in Article 5.4 below, the attendance register shall be initialled in their name by the meeting Chairman with an indication of the means of participation of the persons concerned.

The attendance register can be kept in electronic form under the legal and regulatory conditions in effect.

5.2 Quorum for the Board meeting and verification of the quorum

a) The quorum for the Supervisory Board meeting is reached when at least half the Board members are effectively present. Members of the Supervisory Board who take part in the Supervisory Board meeting by the means referred to in Article 5.4 below shall be deemed present for the purpose of calculating the quorum.

The quorum shall be recorded by the Secretary at the start of each meeting. His observation shall be recorded in the minutes of the meeting.

b) When the Supervisory Board deliberates on an agreement that is within the scope of application of Articles L. 225-86 *et seq.* of the French Commercial Code (so-called regulated agreements), the Board members having an interest in the agreement are not counted for calculating the quorum. The Supervisory Board can in that case conduct business only if half the Board members not having an interest in the agreement are effectively present.

5.3 Powers

A member of the Supervisory Board may give another member of the Board a mandate to represent him or her at any Supervisory Board meeting by letter, email, or fax.

Each member of the Supervisory Board may only have one proxy for a given meeting.

5.4 Proceedings

Under the conditions and subject to the exceptions provided for in law, the Supervisory Board's resolutions are voted (i) either through the actual presence of the members at the meeting venue, (ii) or by videoconferencing or other means of telecommunication, or any other means authorised by the regulations, that enable the members to be identified under the conditions set by the laws and

regulations in force except for the examination and review of the annual and consolidated financial statements, or (iii) by a combination of these means, (iv) or in writing under the conditions provided for in Article 7.

If videoconferencing or telecommunications facilities are provided to enable all or some of the members to take part in the meeting, the Chairman of the Board shall ensure that the facilities thus implemented by the Company offer technical characteristics ensuring continuous effective participation and retransmission of the discussions. Otherwise, the Board members in question cannot be considered present and, given the lack of a quorum, the meeting must be postponed.

It is the responsibility of each Board member or each participant to be equipped to take part remotely in the meetings *via* these facilities.

When voting on a so-called regulated agreement as referred to in Article L. 225-86 of the French Commercial Code, those persons having an interest in the agreement shall declare themselves before voting on the decision and may not take part in the deliberations or in the vote in accordance with the current legal provisions.

5.5 Voting procedures

Voting in the Supervisory Board takes place by a show of hands.

Subject to the last paragraph, Supervisory Board decisions are taken by a majority of members who are present or represented and each member has one vote. In the event of a split vote, the meeting Chairman shall have the casting vote.

Members of the Board who take part in the Supervisory Board meeting by the means referred to in Article 5.4 above shall be deemed present for the purpose of calculating the majority.

When voting on a so-called regulated agreement as referred to in Article L. 225-86 of the French Commercial Code, those persons having an interest in the agreement shall declare themselves before voting on the decision and may not take part in the deliberations or in the vote in accordance with the current legal provisions. For this ballot, the majority is calculated taking into account only those members with voting rights.

Any member of the Supervisory Board who leaves a Board meeting when it is in progress is deemed not to take part in voting on the resolutions put to the vote in his absence, unless he has given an explicit proxy in writing to another member of the Board before leaving. This departure must be taken into account with regard to the quorum needed for the Board to be able to duly conduct business.

In the case provided for in the third paragraph of Article 1, the Supervisory Board's authorisations if provided by a majority of members present or represented, including the CDC Member.

Article 6. Minutes

6.1 Contents of the minutes

The minutes of each meeting of the Supervisory Board shall mention the date, time and place of the meeting and state the meeting agenda. It shall indicate the names of the Board members, specifying whether they are present or participating in the meeting by the means referred to in Article 5.4 above, represented or absent and, where applicable, the names and job titles or positions of the other participants in the meeting. The minutes shall also mention, where applicable, any technical incident relating to videoconferencing, when said incident has disturbed the meeting proceedings.

The minutes report on the substantial presentations of each of the members of the Board and the other participants. They contain the full text of the resolutions submitted to the vote of the members of the Board and lists the departures previously stated in Article 5.5 Paragraph 5. In the event of a vote on the text of a resolution, the minutes will report on the outcome of the vote, detailing the number of votes for, against and the abstentions and, if applicable, the opinion of the persons attending the Board meeting with a consultative vote. They specify whether the resolution has been passed or not as a result of this vote.

Where applicable, the minutes record statements, reservations or specific opinions that any Board member expressed the wish to see mentioned in the minutes during the meeting.

6.2 Procedure for drawing up the minutes

As soon as possible following each meeting of the Supervisory Board, draft minutes containing all the information referred to in Article 6.1 above shall be drawn up by the Secretary of the Board.

This draft shall be forwarded to each Board member with the information and documents mentioned in Article 4.3 above relating to the next ordinary meeting.

The Board members may express their comments beforehand or at the Supervisory Board meeting, which establishes the final terms of the minutes allowing them to be re-transcribed on the legal register.

This formal approval does not prevent the possibility of establishing excerpts of the minutes between two meetings of the Supervisory Board.

6.3 Format of the minutes

The minutes are entered and paginated continuously in a special register or on loose, numbered sheets kept by the Secretary of the Supervisory Board and stored by them at the registered office of the Company.

After approval by the Board, the minutes shall be signed by the meeting Chairman and at least one member of the Board present. In the event that the Chairman of the meeting is unable to attend, they shall be signed by two members of the Board. The minutes shall be provided to all members of the Supervisory Board.

This special register can be held, and the minutes prepared, in electronic format under the legal and regulatory conditions in effect.

6.4 Copies or excerpts produced in evidence or made public

Copies or excerpts of minutes to be produced in evidence or made public shall be certified in compliance with the original by the Chairman of the Supervisory Board, the Vice-Chairman of the Supervisory Board, a member of the Executive Board or by the Secretary.

Certification can be done *via* an electronic signature under the legal and regulatory conditions in effect.

6.5 Confidentiality of the debates and the minutes

Minutes and all excerpts shall be confidential, under the terms specified in Article 10 below, except when their publication is required by law or by binding regulations, or except if the Supervisory Board decides otherwise.

The same holds true for any position expressed during Supervisory Board meetings by any of its members or participants. By derogation, each member of the Board may freely state their personal position on the subjects discussed by the Board, except if

such statements or positions mention information that is confidential.

Article 7. Written consultation

In the cases provided for in law and under the conditions provided for in the Articles of Association, the Supervisory Board can take decisions *via* written consultation of the members of the Supervisory Board.

Article 8. Supervisory Board and committee information

8.1 – Each member of the Supervisory Board or committees may request any information necessary to accomplish their remit from the Executive Board.

8.2 – Requests for information shall be sent to the Executive Board by the Chairman of the Supervisory Board, or, if the Chairman is absent or unavailable, by the Vice-Chairman, or by the Chairman of the committee in question. The Executive Board shall send the information and documents that it has obtained to the Board or committee making the request by return mail.

8.3 – For this purpose, on appointment, the members of the Executive Board shall become acquainted with the respective powers of the committees and agree to forward to the Supervisory Board, *via* its Chairman, the documents needed for its remit and to accept any request for information or the production of documents.

8.4 – For application of the third paragraph of Article 1, the CDC members is informed in writing of the intentions of the Chairman of the Executive Board about the direction of the votes that the Company or the subsidiaries it consolidates by full consolidation intend to exercise in the general meetings of CNP Assurances, at the latest within three business days of the publication in the *Bulletin des annonces légales obligatoires* of the draft resolutions presented to the shareholders of CNP Assurances.

Article 9. Resources made available to the members of the Supervisory Board

9.1 – The members of the Supervisory Board must have the necessary means to perform their mandate.

9.2 – The Company shall provide to the members of the Supervisory Board the ability to send and receive all correspondence related to their remit, with a guarantee of confidentiality.

9.3 – Every member of the Supervisory Board elected by the personnel shall have, for this purpose, a time credit of 35 hours per month to perform their mandate.

Article 10. Duty of confidentiality

10.1 – Every member of the Supervisory Board and any person taking part in a meeting of the Supervisory Board is required to observe the utmost confidentiality with regard to the documents and information of which they have knowledge when performing their duties and may not disclose any of it, in any way, to outsiders.

10.2 – In particular, except for documents for which the Chairman explicitly authorises disclosure to third parties, the documents and exhibits forwarded to Board members before Supervisory Board meetings, or during or as a consequence of said meetings (or outside of any meeting, within the more general framework of the Board members' performance of their mandate), are of a strictly

confidential nature and may not be disclosed to third parties in any way.

10.3 – If necessary, these documents may be marked as a reminder of their confidential nature. The absence of such an indication in no case amounts to a derogation from the rule of confidentiality.

10.4 – Regarding confidential operations, the Chairman is not required to provide written information to the Board members. He may thus choose to communicate the information in question orally at Board meetings intended to provide knowledge of these plans. Board members and participants are in that case required to preserve the oral nature of the information thus transmitted, and may not report it to third parties or disclose it.

10.5 – The confidentiality rules summarised in the Internal Rules apply in the same terms to the Board members and to any person called upon to take part in the work of the Supervisory Board, in any capacity.

10.6 – Failure to comply with the obligation of confidentiality mentioned in this article exposes the Board member or participant at fault to a civil suit for damages brought by the Company, without prejudice to any other legal action which could also be considered.

Article 11. Liability of Supervisory Board members

11.1 – The Supervisory Board members are liable, under civil and penal law, for the faults they commit when performing their mandate under the conditions set by the current legislation.

11.2 – The members of the Supervisory Board representing the employees, elected within the framework of Order 2014-948 of 20 August 2014 (in reference to Article 10-1 of law No. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom) cannot in any event be declared jointly liable with the members of the Supervisory Board representing the shareholders. Their liability shall be assessed paying due regard to the fact that their tenure of office is unpaid.

Article 12 – Compensation of the members of the Supervisory Board – reimbursement of expenses

12.1 – The General Meeting that approves the annual financial statements may determine a total amount of compensation which may be awarded to Board members for their duties performed in the current financial year and in subsequent financial years, until a further resolution.

The Supervisory Board distributes this amount among the Board members except for the members representing the employees,

who perform their duties on a non-remunerated basis, in accordance with the law and regulations in force.

12.2 – The Board members representing the employees and those representing the shareholders are entitled, upon presentation of substantiating documents, to the reimbursement of travel and travel-related expenses they have reasonably paid to perform their duties.

The Board can allocate to the members of the Board representing the employees an annual operations budget to cover, upon presentation of substantiating documents, the expenses incurred by the members to meet for non-Board meeting, to visit departments, to take part in training which is not organised by La Banque Postale, to purchase office supplies and small equipment and to cover expenses directly related to the exercise of their mandate.

Article 13. Effective date and changes to the internal rules

13.1 – The Internal Rules came into effect on 25 January 2006. They were revised by the Supervisory Board on 29 March 2007, 16 December 2014, 19 February 2016, 15 April 2016, 25 May 2016 and 4 March 2020.

13.2 – Any amendment of the Supervisory Board's Internal Rules is adopted by a majority vote of the Board members present or represented, under the conditions summarised above.

Exceptionally, any changes to the third paragraph of Article 1 and to the provisions referring to it are passed by a majority of the members of the Board present or represented, including the favourable vote of the CDC member.

Article 14. Communication of the internal rules

14.1 – The texts of these Internal Rules and the internal rules of the committees, together with the Board Members' Charter, appended to the Internal Rules to which they must subscribe by signing the deed of membership attached in appendix, shall, notably, be communicated to every member of the Supervisory Board at the time of their appointment.

14.2 – The text of these regulations is also communicated to the members of the Executive Board when they are appointed.

14.3 – The members of the Supervisory Board and/or the Executive Board may also consult them at any time by contacting the Secretary of the Supervisory Board.

14.4 – At each meeting of the Supervisory Board, the text of the Internal Rules is made available to anyone taking part in the meeting, particularly the invited persons mentioned in Article 3.1 above, to whom the Internal Rules are applicable.

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

10

GENERAL MEETING TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 DECEMBER 2019

In our capacity as your Company's statutory auditors, we hereby present our report on related-party agreements and commitments.

Our role is to inform you, based on the information that has been provided to us, of the features and main conditions of the agreements and commitments that have been disclosed to us, or of which we may have become aware during our assignment, and of the reasons underlying their interest to the Company. It is not incumbent upon us to issue an opinion on their usefulness and legitimacy, or to determine whether other agreements and commitments exist. Your role, in accordance with the terms of Article R. 225-58 of the French Commercial Code, is to assess the Company's interest in entering into these agreements and commitments, with a view to their approval.

Furthermore, it is our role, where applicable, to disclose the information specified in Article R. 225-58 of the French Commercial Code on the execution of the agreements and commitments that have already been approved by the General Meeting during the past financial year.

We have performed the checks that we considered necessary, in light of the professional standards of the French National Institute of statutory auditors relating to this assignment. These checks consisted in ensuring that the information provided to us was consistent with the background material from which it was derived.

Agreements submitted for the approval of the General Meeting

Agreements approved and signed in the financial year last ended

In application of Article L. 225-88 of the French Commercial Code, we have been informed of the following agreements entered into during the financial year just ended that have received the prior approval of your Supervisory Board.

1. Binding memorandum of understanding between the French State, Caisse des dépôts et consignations, La Poste and La Banque Postale

Nature, purpose and terms and conditions

The Supervisory Board meeting of 30 July 2019 approved the signature of a binding memorandum of understanding between the French State, Caisse des dépôts et consignations (CDC), La Poste and La Banque Postale on the creation of a major public bank-insurance unit around La Banque Postale and CNP Assurances (*Opération Mandarine*). The Board also approved the conclusion of all associated documentation, notably the signing of a firm and irrevocable agreement between the State, CDC and La Banque Postale regarding the purchase by CDC of shares in the company SFIL.

The agreement was signed on 31 July 2019. It provides for the main principles governing the modalities for forming the public bank insurance unit. The transaction was carried out in 2020, in accordance with the decisions of a General Meeting held on 4 March.

Interest for the Company

This transaction enables the bank to adopt a complete bank insurance model and contribute to its development, with strengthened momentum for the new entity.

Persons concerned

The person concerned by this agreement is Mrs Nathalie Dieryckxvisschers, as the representative of the French State on the Supervisory Board.

2. Interim shareholders' agreement concerning CNP Assurances

Nature, purpose and terms and conditions

Your Supervisory Board's meeting of 18 December 2019 authorised the signing of an interim shareholders' agreement concerning CNP Assurances between the French State, Caisse des dépôts et consignations, Sopassure and La Banque Postale, in order to maintain the rights and obligations of the parties between 1 January 2020 and the date of execution of the Mandarine transaction.

The interim shareholders' agreement was signed on 20 December 2019, for application from 1 January 2020.

Interest for the Company

This agreement was signed as part of the project to build a public bank insurance unit, the interest of which is specified in the description of the previous agreement.

Persons concerned

The persons concerned by this agreement are Mrs Marie-Anne Lavergne, as representative of the French State on the Supervisory Board, Mr Rémy Weber, Chairman of the Executive Board, and Mr Philippe Wahl, Chairman of the Supervisory Board.

Agreements already approved by the General Meeting

Pursuant to Article R. 225-57 of the French Commercial Code, we have been informed that implementation of the following agreements and commitments, which had already been approved by the General Meeting in prior financial years, was ongoing during the financial year just ended.

1. Memorandum of understanding with CNP Assurances regarding life insurance, capitalisation of borrowers' insurance and pensions

Nature and purpose

The Supervisory Board meeting of 9 December 2015 authorised the renewal of the partnership with CNP Assurances and the conclusion of a distribution agreement concerning group credit insurance policies. A non-binding Preliminary Memorandum of Understanding was signed on 18 December 2015.

Terms and conditions

The purpose of the preliminary memorandum of understanding was to define the principles to be implemented within the framework of the negotiation of final contracts pertaining to the Draft Renewed Partnership Agreement, built around three major components:

- ▶ the renewal of the partnership agreement with CNP Assurances for a term of ten years, according to revised terms and conditions;
- ▶ the buyback of the entire equity interest held by CNP Assurances in La Banque Postale Prévoyance;
- ▶ the conclusion of a distribution contract with CNP Assurances on group credit insurance policies.

The general framework memorandum between CNP Assurances and your Company and its related agreements were signed on 25 March 2016.

Pursuant to the terms of these agreements, La Banque Postale:

- ▶ received commissions of €583 million in 2019 for the distribution of insurance policies from CNP Assurances;
- ▶ recorded income of €15.6 million for the additional contribution commission provided for in the agreement. This commission, of an initial amount of €75 million, of which €51.3 million remaining to be recorded as income, is based on the projection of a reference business plan agreed on between the parties for a period running to the expiry of the contract (2025). It could be adjusted in line with the achievement of this business plan.

The persons concerned by this agreement are the following: Philippe Wahl, Chairman of the Supervisory Board of La Banque Postale, Director of CNP Assurances and Rémy Weber, Chairman of La Banque Postale's Executive Board, Director of CNP Assurances.

2. Framework memorandum of understanding between La Banque Postale, Malakoff Médéric, La Mutuelle Générale and La Banque Postale Assurance Santé in relation to health insurance.

Nature and purpose

Your Supervisory Board, at its meeting of 20 January 2015, authorised the conclusion of a framework memorandum of understanding between La Banque Postale, acting jointly with SF2, Malakoff Médéric (MM), La Mutuelle Générale (LMG) and La Banque Postale Assurance Santé (LBPAS), providing for a health insurance agreement.

Terms and conditions

The framework memorandum of understanding was signed on 3 April 2015, as well as the Health Insurance Agreement, which was entered into between La Banque Postale, SF2, LMG, Malakoff Médéric Assurance (MMAss), Malakoff Médéric Santé (MMS) and LBPAS.

The Health Insurance Agreement provides that LMG and MMAss shall hold together 49% of the share capital and of the voting rights of LBPAS and that La Banque Postale shall hold 51%.

This agreement defines (i) the objectives and scope of the partnership agreement over all of the health insurance operations, (ii) the operational and commercial model for the Small Group Offer (*Offre Petites Collectives*), (iii) the terms for the implementation of Extra Opportunities (*Opportunités Additionnelles*), and (iv) the financial elements over all of the health insurance operations.

The term of the agreement is for 15 years, renewable each 5-year period.

According to the terms of this agreement, LBPAS has exclusive rights to supply products developed by the new group and La Banque Postale is the exclusive distributor for LBPAS on its distribution channels, in metropolitan France and in the overseas departments, without prejudice to the possibility that LBPAS may distribute the exclusive products through other channels authorised by La Banque Postale. Also, LBPAS may distribute the exclusive products through Remote Health Insurance Platforms.

The terms relating to the governance of LBPAS and the rules for the transfer of LBPAS securities are featured in a new shareholders' agreement signed by La Banque Postale, SF2, LMG, and MMAss in the presence of LBPAS (the "LBPAS agreement") which will take effect as from the Completion Date, replacing the Initial Agreement which shall terminate on the aforesaid date.

An amendment to this MOU was concluded on 17 January 2017; it was approved by the Supervisory Board on 13 December 2017. It provides for an exception to the exclusivity commitments defined by the framework memorandum of understanding to authorise La Banque Postale to:

- ▶ market group health insurance contracts developed by MM Prévoyance and Quatrem; and
- ▶ put its client companies in contact with MM Prévoyance and Quatrem for the marketing of MM health contracts insured by Malakoff Médéric Prévoyance and Quatrem.

Pursuant to this framework memorandum of understanding and its first amendment, La Banque Postale received commissions related to the distribution of this new group's products, representing €10 million for the financial year ending 31 December 2019.

The person concerned by this agreement and its amendment is Mr Rémy Weber, Chairman of La Banque Postale's Executive Board, and Director of La Banque Postale Assurance Santé.

3. La Banque Postale's commitments granting compensation to Rémy Weber in the event of termination of his term of office

Nature and purpose

Subject to the approval of the Minister of the Economy, your Supervisory Board, at its meeting of 27 February 2018, authorised severance compensation to be paid to the Chairman of the Executive Board in the event of termination of his duties.

This commitment renews La Banque Postale's commitment to Rémy Weber regarding the awarding of severance in the event of termination of his term of office authorised by your Supervisory Board on 15 October 2013.

Managers concerned

Rémy Weber, Chairman of La Banque Postale's Executive Board;

Terms and conditions

Subject to the approval of the Minister of the Economy and fulfilment of the performance condition set out below, in accordance with and under the conditions provided for in Article L. 225-90-1 of the French Commercial Code, compensation will be paid to Rémy Weber, Chairman of the Executive Board, except in the case of gross misconduct or gross negligence having a material impact on the Company's financial position, in the following cases:

- ▶ dismissal during his term of office;
- ▶ merger, change of control or change of strategy leading to his departure.

Payment of this compensation shall be subject to fulfilment of a performance condition, according to which a success rate of 80% or above in meeting the annual targets set by the Executive Board, as defined by the Supervisory Board, for two out of the last three full financial years.

The severance compensation shall be equal to a maximum of twice his fixed annual remuneration as on the day of termination of his duties.

This commitment had no impact on the financial statements for financial year 2019.

4. La Banque Postale's commitment granting compensation to Marc Batave in the event of termination of his term of office

Nature and purpose

Subject to the approval of the Minister of the Economy, your Supervisory Board, at its meeting of 27 February 2018, authorised severance compensation to be paid to the Chairman of the Executive Board in the event of termination of his duties.

This commitment renews La Banque Postale's commitment to Marc Batave regarding the awarding of severance compensation in the event of termination of his term of office authorised by your Supervisory Board on 27 February 2013 then modified by the Supervisory Board of 31 July 2013.

Terms and conditions

The initial commitment stipulated that severance compensation would be made in the event of dismissal during their term of office and in the event of a merger, change of control or change of strategy resulting in the departure of the Executive Board member, except in cases of gross misconduct or serious professional misconduct having a material impact on the Company's financial position. It also stipulated that where a director's term of office is not renewed, the decision of whether to make a compensation payment would be at the Supervisory Board's discretion, on the basis of advice received from the Appointments and Compensation Committee.

During the Supervisory Board meeting of 31 July 2013, the APE ruled out making severance compensation payments in case of non-renewal of the office term. The other terms and conditions authorised by the Supervisory Board meeting of 27 February 2013 remained unchanged.

Compensation is due subject to fulfilling a performance condition according to which a success rate of 80% or above in meeting the annual targets set by the Executive Board for two out of the last three full financial years.

The severance compensation due to Mr Marc Batave will be equal to the aggregate amount of the fixed portion of his annual remuneration for the last year, on the day of termination of his duties, and the average variable portion of his annual remuneration for the last three years.

Should an executive rejoin the public sector within two years of his or her forced departure from the Company, the compensation will be reduced commensurate with the remuneration received at that time (including bonuses).

Mr Marc Batave will be entitled to an unemployment insurance policy taken out by La Banque Postale and providing compensation capped at one year's remuneration over the chosen compensation period. This insurance policy will replace the severance compensation listed above on completion of the waiting period.

This commitment had no impact on the financial statements for financial year 2019.

Paris La Défense, 6 March 2020

KPMG S.A.

Marie-Christine Jolys

Partner

Neuilly-sur-Seine, 6 March 2020

PricewaterhouseCoopers Audit

Jacques Lévi

Partner

PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

11

Person responsible for the Universal Registration Document

Rémy Weber
Chairman of the Executive Board
La Banque Postale

Attestation of the person responsible for the Universal Registration Document

I hereby certify that I have taken all reasonable steps to ensure that the information contained in this Universal Registration Document is, to my knowledge, consistent with reality, and contains no omissions likely to affect its import.

I certify that, to my knowledge, the financial statements have been drawn up in accordance with applicable accounting standards, and give a true and fair view of the assets, financial position and results of the Company and of all companies included in the scope of consolidation, and that the management report (referred to in the correlation table of this document) provides an accurate picture of the business, results and financial position of the Company and of all companies included in the scope of consolidation and that it contains a description of the main risks and uncertainties that they face.

Paris, 17 March 2020,
Rémy Weber
Chairman of the Executive Board.

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12.1 UNIVERSAL REGISTRATION DOCUMENT CORRELATION TABLE

(Annex 1 of the Commission Delegated Regulation (EU) 2019/980 of 14 March 2019)

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12.2 ANNUAL FINANCIAL REPORT CORRELATION TABLE

Pursuant to Article 222-3 of the General Regulation of the French Financial Markets Authority (Autorité des marchés financiers, AMF), the annual financial report mentioned in Section I of Article L. 451-1-2 of the French Monetary and Financial Code includes the items described in the following pages of the Universal Registration Document:

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▶ Consolidated financial statements	180-287
▶ Statutory auditors' report on the consolidated financial statements	288-291

In addition, and pursuant to Article 28 of EC Regulation 809/2004 of 29 April 2004, the following documents have been included in this Universal Registration Document for reference purposes:

- ▶ the separate and consolidated financial statements for the 2018 financial year, together with the statutory auditors' reports on the separate and consolidated financial statements, which are shown on pages 178-185 and 279-281, respectively, of the 2018 Registration Document, filed with the AMF on 14 March 2019 under No. D. 19-0152;
- ▶ the separate and consolidated financial statements for the 2017 financial year, together with the statutory auditors' reports on the separate and consolidated financial statements, which are shown on pages 158-162 and 223-225, respectively, of the 2017 Registration Document, filed with the AMF on 16 March 2018 under No. D. 18-0143.



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LE GROUPE LA POSTE