



AMENDMENT TO THE UNIVERSAL REGISTRATION DOCUMENT AT 30 JUNE 2020 AND INTERIM FINANCIAL REPORT FILED WITH THE AMF ON 13 AUGUST 2020



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

This Amendment to the Universal Registration Document was filed on 13 August 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.

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PRESENTATION OF LA BANQUE POSTALE GROUP



BANQUE ET CITOYENNE

1. PRESENTATION OF LA BANQUE POSTALE GROUP

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

A bank whose mission is to work in the best interest of the community, it was built on La Poste's values of trust, accessibility and local presence, bestowing it from the start with an unusual and unique positioning on the French market. Its approach is driven by an offering based on low service rates, access for all customers and a simple product range that focuses on customer needs.

The Group's organisational structure is based primarily on 23 financial centres (19 in Metropolitan France and 4 in the French overseas departments), including 4 national Financial Centres with specific expertise, and a dedicated IT Department. It also includes 46 subsidiaries and strategic investments and is supported by the distribution capacity of the La Poste Network.

La Banque Postale Group directly employs 5,477 staff throughout France. In addition, the 12,240 employees working in La Poste Financial Services report to the Chairman of La Banque Postale's Executive Board, in his capacity as Executive Vice-President of La Poste responsible for Financial Services¹.

At 30 June 2020, La Banque Postale had 10.5 million active retail customers².

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

- ▶ Retail Banking, its core business, mainly focused on individual customers, and extended to corporate customers in 2011 and to local authorities in 2012;
- ▶ Insurance (with life, death & disability, property & casualty and health insurance subsidiaries), which was significantly expanded in the first half of 2020 following the acquisition of a controlling interest in CNP Assurances as part of a project to create a large public finance unit;
- ▶ Asset Management (asset management subsidiaries).

Key consolidated figures (published data)

(in € millions)	Full-year 2015	Full-year 2016	Full-year 2017	Full-year 2018	First-half 2019	Full-year 2019	First-half 2020
Net banking income	5,745	5,602	5,687	5,570	2,850	5,647	3,793
Operating expenses ⁽¹⁾	4,693	4,587	4,619	4,615	2,353	4,692	2,710
Gross operating profit	1,052	1,015	1,068	955	497	955	1,083
Cost of risk	181	181	192	183	41	178	228
Attributable net profit	707	694	764	726	422	780	4,001
Total assets (in € billions) ⁽²⁾	219	230	231	245	263	272	719
Cost/income ratio ⁽³⁾	82.1%	82.4%	81.8%	83.4%	83.2%	83.8%	71.9%

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

⁽²⁾ IFRS 9 applied from 1 January 2018.

⁽³⁾ Cost/income ratio = operating expenses/(net banking income - doubtful interest).

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

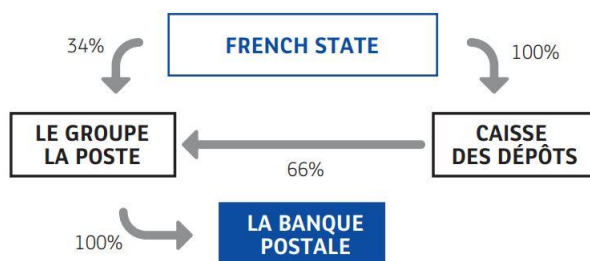
² Based on the new segmentation applied since 2019, active retail customers correspond to core customers whose income is paid into their La Banque Postale account and who have purchased one or more products.

1.1 OWNERSHIP STRUCTURE

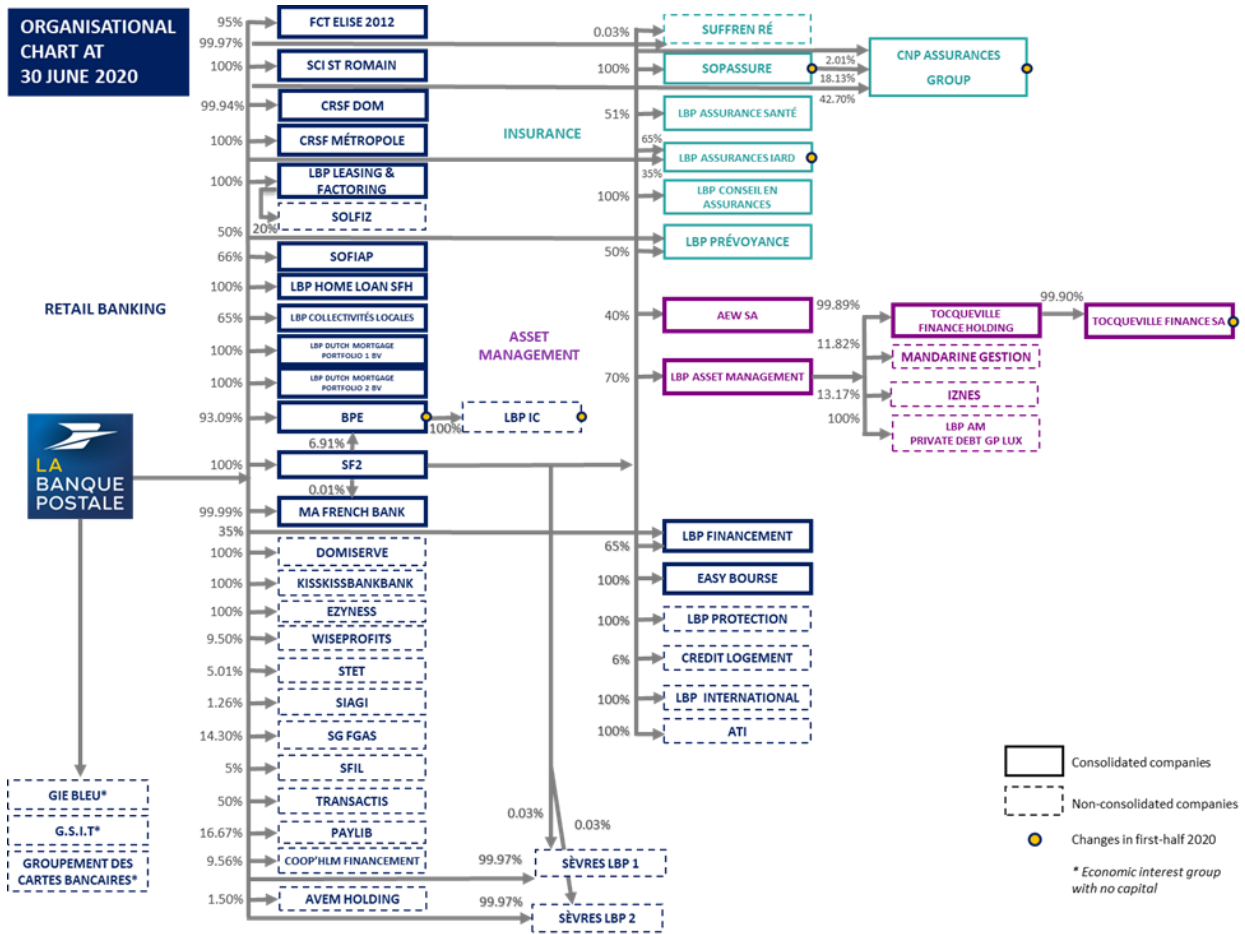
The La Poste group owns all of La Banque Postale's equity capital and voting rights, except for one share held by the Chairman of the Supervisory Board. There are no employee shareholders.

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

Since 4 March 2020, following completion of the project to create a large public financial unit, the La Poste group is now 66%-owned by Caisse des Dépôts and 34% by the French State.



1.2 GROUP ORGANISATION



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

1.3 LINK-UP BETWEEN LA BANQUE POSTALE AND CNP ASSURANCES

The operations to link up La Banque Postale and CNP Assurances were completed on 4 March 2020. Caisse des Dépôts and the French State contributed their respective 40.87% and 1.11% interests in CNP Assurances to the La Poste group, which in turn contributed the shares to La Banque Postale. Following these transfers, La Banque Postale held 62.13% of CNP Assurances as of 4 March 2020 and raised its interest to 62.84% at 30 June 2020.

The link-up has created a leading public bancassurance group combining the businesses of two major players with significant customer and policyholder bases.

- ▶ the La Poste group and CNP Assurances are historical partners;
- ▶ La Banque Postale and CNP Assurances contribute significantly to each other's businesses.

The link-up will help to drive business growth and efficiency gains by paving the way for:

- ▶ the long-term extension of the distribution agreements between La Banque Postale and CNP Assurances;
- ▶ the implementation of joint strategic initiatives under the partnership between CNP Assurances and La Banque Postale (seeking to converge new technologies and innovations in particular, and coordinating digitisation of the customer experience);
- ▶ initiatives to improve operational efficiency between CNP Assurances and La Banque Postale and increase sales of CNP Assurances' insurance products to La Banque Postale customers.

1.4 NEW DYNAMIC FOR THE ASSET MANAGEMENT BUSINESS

La Banque Postale gives a new dynamic to its asset management subsidiary and SRI pioneer, La Banque Postale Asset Management (LBP AM), which is becoming a multi-specialist conviction management firm in order to support clients' asset diversification towards sustainable and transparent performance.

LBP AM: Creation of an SRI benchmark in multi-specialist conviction management

LBP AM and its subsidiary Tocqueville Finance have €50 billion of assets under conviction management (at 31 December 2019), and an ambitious development plan combining organic growth and acquisitions. They cover four areas of SRI expertise, including a thematic-oriented equity desk (Tocqueville Finance); property and private assets; multi-asset management – extended to convertibles and to absolute return fixed-income funds – and quantitative investment management using systematic strategies.

This offer meets the emerging long-term investment needs of individual clients saving for their retirement and provides tailor-made risk management solutions for institutional investors. In addition to its partners – La Banque Postale, CNP Assurances and Malakoff Humanis – and its current clients, LBP AM will also target distributors looking for value-added and high-performing investment products.

Emmanuelle Morey, Head of La Banque Postale's asset management division, will continue to serve as Chair of LBP AM's Executive Board, alongside Vincent Cornet, Executive Board member, Head of Asset Management and Chief Executive Officer of Tocqueville Finance. Mathieu Cheula will become a member of LBP AM's Executive Board in preparation for joining Ostrum AM on the transaction completion date as Deputy Chief Executive Officer of the future joint entity.

LBP AM will continue to be 70%-owned by La Banque Postale, 25% by Aegon Asset Management and 5% by Malakoff Humanis. CNP Assurances, a subsidiary of La Banque Postale, and Malakoff Humanis will continue to be major partners of LBP AM. The transaction is subject to approval by the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) and is expected to be completed before the end of the year.

Combination of the fixed-income and insurance-related asset management businesses of LBP AM and Natixis

On 28 June 2020, Natixis and La Banque Postale signed an agreement to combine their fixed-income and insurance-related asset management businesses – as announced in December 2019 – to create a European leader with over €415 billion in assets under management for large institutional clients (at end-May 2020).

The combination of the fixed-income and insurance-related asset management businesses of Ostrum Asset Management and La Banque Postale Asset Management within a joint entity is expected to be completed in the fourth quarter of 2020, subject to obtaining the required regulatory approvals.

Natixis (via its subsidiary Natixis Investment Managers) and La Banque Postale (via its subsidiary La Banque Postale Asset Management) will own 55% and 45%, respectively, of the joint entity, as part of a balanced governance structure. The combination of the teams of the two entities within Ostrum Asset Management is planned for the fourth quarter of 2020.

A European player

This significant project was conceived in response to the development of the market and will be transformational for the asset management industry. With €415 billion in assets under management, the new entity's horizon will be Europe-wide, with a focus on meeting the needs of liability-driven institutional investors, namely insurers, pension funds and corporates. It will seek to quickly grow its volumes and to play a central role in driving the consolidation of the European market in the coming years. Critical scale will enable the company to continuously innovate for its clients, while operating model optimisation and the pursuit of the compelling business development opportunities afforded by this combination are expected to bolster the joint entity's profitability.

A firmly client-driven offering in asset management and services

With an offering covering both investment management for fixed-income and credit assets – all fully ISR and ESG compliant – and competitive technological and operational services, the new entity will meet the new expectations of investors seeking to evolve their business models. The organisation will be entirely client-centric and will aim to optimise the client experience by managing all relationships across both asset management and services through a Key Client Relationship Managers team.

CORPORATE GOVERNANCE



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2.1 CORPORATE GOVERNANCE

(updated to include this amendment)

Composition of the Executive Board:

- Rémy Weber, Chairman of the Executive Board
- Marc Batave, Chief Executive Officer, Commercial Banking
- Anne-Laure Bourn
- Gregorio Antonio Blanco, General Secretary

Composition of the Supervisory Board:

- Philippe Wahl, Chairman of the Supervisory Board
- Yves Brassart, Vice-Chairman of the Supervisory Board
- Nathalie Collin
- Sandrine Fagot-Revurat
- Thierry Freslon
- Jean-Pierre Hakizimana
- Marie-Anne Lavergne, representing the French State
- Michel Madelain
- Steeve Maigne
- Sophie Renaudie
- Emmanuel Rondeau
- Nicolas Routier, permanent representative of La Poste
- Nefissa Sator
- Olivier Sichel
- Thierry Viarouge.

2.1.1 Remuneration

2.1.1.1. 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 Supervisory Board report on corporate governance.

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

Amount of remuneration allocated to the members of the Supervisory Board in connection with their activities and other remuneration paid to the members of the Supervisory Board in connection with their appointments within La Banque Postale Group.

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

Name of the corporate officer	Gross amounts due for 2018	Gross amounts due for 2019		
	(€)	Recipient	(€)	Recipient
Sandrine Fagot-Revurat⁽³⁾				
Remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Thierry Freslon				
Remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Jean-Pierre Hakizimana				
Remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Jean-Robert Larangé⁽²⁾				
Remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Steeve Maigne				
Remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Sabrina Rostaing-Paris⁽²⁾⁽³⁾				
Remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Thierry Viarouge⁽³⁾				
Remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Hélène Wolff⁽²⁾				
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 both 2019 and 2018.
- (2) Member who left the Supervisory Board during 2018.
- (3) Member who joined the Supervisory Board during 2018.
- (4) Marie-Anne Lavergne was appointed to represent the French State, member of the Supervisory Board, by a government order dated 26 September 2019, replacing Nathalie Dieryckxvisschers.

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

Remuneration of employee representative members on the Supervisory Board

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

The 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, stock 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 awarded during the financial year	-	
Value of stock options awarded during the financial year	N/A	
Value of performance 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	468,377
Value of multi-year variable remuneration awarded during the financial year	-	
Value of stock options awarded during the financial year	N/A	
Value of performance shares awarded during the financial year	N/A	
Total	451,327	468,377
Tony Blanco		
Gross remuneration payable for the financial year (details in Table 2)	450,417	451,679
Total	450,417	451,679
Anne-Laure Bourn		
Gross remuneration payable for the financial year (details in Table 2)	475,607	486,505
Value of multi-year variable remuneration awarded during the financial year	-	
Value of stock options awarded during the financial year	N/A	
Value of performance shares awarded during the financial year	N/A	
Total	475,607	486,505
EXECUTIVE BOARD TOTAL	1,831,167	1,860,377

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

(in euros)	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
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	-	-	-	-
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	36,994	35,992
Multi-year variable remuneration	-	-	-	-
Severance compensation	-	-	-	-
Remuneration ⁽¹⁾	-	-	-	-
Benefits in kind ⁽²⁾	22,002	22,002	22,383	22,383
Total	451,327	494,433	468,377	467,375
Tony Blanco				
Fixed remuneration	400,000	400,000	400,000	400,000
Variable annual remuneration	35,200	11,924	36,180	35,200
Multi-year variable remuneration	-	-	-	-
Severance compensation	-	-	-	-
Remuneration ⁽¹⁾	-	-	-	-
Benefits in kind ⁽²⁾	15,217	15,217	15,499	15,499
Total	450,417	427,141	451,679	450,699
Anne-Laure Bourn⁽³⁾				
Fixed remuneration	320,617	320,617	330,000	330,000
Variable annual remuneration	150,519	139,768	152,034	150,796
Multi-year variable remuneration	-	-	-	-
Severance compensation	-	-	-	-
Remuneration ⁽¹⁾	-	-	-	-
Benefits in kind ⁽²⁾	4,471	4,471	4,471	4,471
Total	475,607	464,856	486,505	485,267
EXECUTIVE BOARD TOTAL	1,831,167	1,840,246	1,860,377	1,857,157

⁽¹⁾ Members of the Executive Board do not receive any remuneration for serving on the Board of Directors or equivalent of La Banque Postale Group companies.

⁽²⁾ For Rémy Weber, benefits in kind correspond to a company car and 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

Executive corporate officers	Employment contract with La Banque Postale		Supplementary pension plan		Compensation payable or that may be payable for loss of office or for a change of position		Non-compete indemnity	
	Yes	No	Yes	No	Yes	No	Yes	No
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.

Termination benefit or benefit for a change of position allocated to managers

No termination benefits or benefits for a change of position were allocated to managers in 2018 or 2019.

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.

Remuneration of the members of the General Management Committee

In 2019, the total gross remuneration (including the variable portion) paid under their 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 any remuneration for serving on the Board of Directors or equivalent of Group companies.

Members of the General Management Committee are entitled to termination pay established in accordance with collective bargaining agreements, valued at a total of €1,039,368.

Remuneration of regulated employees

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

The Board 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 capital and have a negative impact on its liquidity.

The framework is based on the following two criteria, both of which must be met:

- total variable remuneration may not exceed 30% of fixed remuneration;
- total variable remuneration must represent less than 5% of La Banque Postale's consolidated gross operating income.

Professionals affected at La Banque Postale

Pursuant to Article L. 511-71 of the French Monetary and Financial Code (*Code monétaire et financier*), 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 employees who, in light of their total income, are in the same pay band, 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 Banking (CIB) and market traders.

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 in relation to the fixed portion is limited and strictly defined in the approval processes: for each employee, 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 the Bank's liquidity and in order not to compromise its ability to generate capital, 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 the total fixed remuneration paid by La Banque Postale;
- 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 limited complexity of its businesses, and the very low exposure to risk of those businesses which come under the scope of the government order of 3 November 2014, La Banque Postale Group's remuneration policy provides for an annual cap and a deferred payment feature, in accordance with the requirements of 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;
- its Corporate and Investment Banking unit operates primarily in the fixed income market, by implementing bond issuance programmes and investing cash surpluses on the interbank and bond markets. It also raises financing for La Banque Postale's home loan business and places the Bank's bond issues among customers. Lastly, it conducts financing activities, including asset and project financing and structured finance operations.

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 Corporate and Investment Banking (CIB); and
- €100,000 for the traders.

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

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 capital between the financial period with which the variable remuneration is associated and the settlement 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.

2.1.1.2 Say-on-pay resolutions presented at the Annual General Meeting

The Annual General Meeting of 17 June 2020, consulted in application of Article L.511-73 of the French Monetary and Financial Code, expressed a favourable opinion on the total remuneration paid during the year ended 31 December 2019 to the persons mentioned in Article L.511-71 of the Monetary and Financial Code, corresponding primarily to the persons who effectively direct the business. In the Company's case, these persons are the four members of the Executive Board and their total remuneration for 2019 amounted to €8,228,340 (including the remuneration of Anne-Laure Bourn and the portion of Rémy Weber's remuneration paid by La Poste).

LA BANQUE POSTALE GROUP BUSINESS ACTIVITY AND RESULTS 2020 INTERIM FINANCIAL REPORT



BANQUE ET CITOYENNE

3.1 BUSINESS ENVIRONMENT AND HIGHLIGHTS

3.1.1 Economic and financial environment

From a health crisis to an economic crisis

The signing of decisive agreements in early 2020 helped to resolve two of the main areas of uncertainty that had weighed on the global economy in 2019. The first agreement, signed on 15 January 2020 between Washington and Beijing, lessened the risk of a further deterioration in international trade relations. The second, between the United Kingdom and the European Union dated 31 January 2020, helped to break the deadlock over the Brexit negotiations. However, the Covid-19 pandemic put an end to the period of relative calm by plunging Asia, then Europe and the Americas, into a deep health and economic crisis. In an effort to halt the rapid spread of the virus, governments around the world implemented lockdown measures that brought economic activity to a partial or, in some cases, almost complete halt.

China's GDP fell by 9.8% in the first quarter of 2020. Following the gradual lifting of social distancing rules, economic activity picked up faster in manufacturing than in distribution and retail, with industrial output back to end-2019 levels by May, but retail sales still down by 2.8% year on year. In the United States, the 1.3% contraction of GDP in the first quarter was accompanied by an unprecedented collapse of the labour market.

The eurozone was faced with its worst ever economic crisis, with GDP contracting by 3.6% in the first quarter. Inflation slowed to just 0.1% over the 12 months to May, partly due to the steep fall in oil prices between January and April, while core inflation (excluding energy and food) remained fairly stable in the first half, at around 1%.

The central banks were quick to respond to the extraordinary situation by deploying a wide array of measures. These included relaxing monetary policies, notably through interest rate cuts, and an unprecedented increase in asset purchases. Fiscal policies supported the various members of the economy, with governments stepping in to pay part of the salary of furloughed employees (especially in Europe) and also plugging companies' liquidity shortfalls.

Sharply curtailed economic activity in France

Faced with the rapid spread of the virus and its severe consequences, the French government deployed strict health measures to slow its progress. According to the latest estimates published by France's national statistics institute, INSEE, after contracting by 5.3% in the first quarter, GDP fell by 30% during lockdown, 22% in May and 12% in the first half of June, illustrating the even more pronounced economic slowdown in the second quarter. Furlough schemes and other measures helped to avoid catastrophic drops in household incomes. As a result, many people were able to add to their savings during lockdown, driving an increase in the amounts deposited in current accounts, Livret A passbook savings accounts and other instant-access savings accounts.

Necessary rebalancing of the oil market

The abrupt curtailment of global economic activity and, by extension, international trade led to a significant fall in oil consumption, causing a considerable imbalance between supply and demand. Members of OPEC and their allies were slow to agree on production cuts, leading to massive oversupply and a risk of saturating storage capacity. As a result, the Brent crude price plunged by nearly 70% from its January high of \$69 to a low of \$19 in April. Since then, the production cuts agreed by the oil exporting countries have reduced global output by 10%. This decision, combined with a gradual global economic recovery, have gone some way towards rebalancing supply and demand, restoring the oil price to \$40 in May.

Interest rates that reflect the gloomy economic environment

In response to the very loose monetary policies and increased demand for safe havens investments, the benchmark US 10-year Treasury Notes rate fell by over 110 basis points to 0.7% in June from 1.9% in December 2019. In Europe, 10-year government bond rates were very volatile in the first part of the year, especially in March, before returning in late June to their pre-crisis level of -0.1% for France's 10-year OAT

and -0.5% for Germany's Bund. Italy's 10-year rate rose sharply in March, to 2.4%, before falling back to 1.3% at the end of June.

Eurozone interbank offered rates held relatively firm despite the economic shock. The Eonia, which is pegged to the deposit facility rate, remained broadly unchanged at -0.47% at end-June. The 3-month Euribor (the interest rate at which the main European banks lend to one other for three-month periods) fluctuated significantly in March and April before returning to its pre-crisis level of -0.42% at the end of June, reflecting the climate of uncertainty on the bond markets.

In addition, interest rates on France's regulated savings accounts (Livret A, Livret d'Epargne Populaire and Compte Epargne Logement) were reduced by 25 basis points, corresponding to the strict application of the indexation rule. For the Livret A, this meant a rate cut to 0.50% in February. Interest on Plan d'Epargne Logement home-savings plans was kept at 1%.

Volatile stock markets

Responding to the sudden and very severe health crisis, investors demonstrated their risk aversion and preference for liquid assets by staging a mass exit from the stock markets and actively searching for safe havens. This triggered falls of 20% to 30% in the US and European stock markets between the beginning of January and mid-March, when they hit a low point. Cyclical stocks were the worst hit by investors' pessimistic view of the economic outlook. Nevertheless, following the announcement of massive fiscal and monetary stimulus measures by governments throughout the world and the gradual revival of economic activity, investors recovered their appetite for risk and the various stock market indices made up a large portion the lost ground in April and May. The significant rebound in stock prices has nonetheless been accompanied by high levels of volatility.

3.1.2 Highlights of the first half of 2020

A LEADING BANCASSURER BETTER EQUIPPED TO WITHSTAND THE CRISIS

Leveraging a more diversified and balanced business model, La Banque Postale reported net banking income of €3,793 million for first-half 2020, of which 29.5% was generated by the Insurance business. Adjusted to exclude first-time consolidation entries and the contribution of CNP Assurances, net banking income was more or less stable compared with first-half 2019, at €2,828 million, despite the €361 million negative impact of the Covid-19 health and economic crisis.

La Banque Postale's attributable net profit for first-half 2020 was €4 billion as reported and €468 million excluding the effect of CNP Assurances first-time consolidation entries, up 11% compared with first-half 2019. Cost of risk for the period rose to €211 million from €41 million in first-half 2019. The increase primarily reflected adjustments to risk parameters based on forward-looking estimates of Covid-19 risks. Current estimates put the impact of the Covid-19 crisis at €141 million.

The expanded group has total assets of €719 billion and a stronger financial structure, with a CET1 ratio of 17.3% and a total capital ratio of 20.8%.

LA BANQUE POSTALE PURSUED ITS TRANSFORMATION DESPITE A VERY UNFAVOURABLE ENVIRONMENT

The Retail Banking teams accelerated deployment of the multi-channel approach in order to better serve customers during the Covid-19 crisis. The first half saw a sharp rise in saving deposits, in line with the market trend. Lending activities slowed due to the lockdown, but the signs of a recovery were already clear to see at the end of the period.

The Corporate Loan business remained strong during the first half, leading to increases in outstanding loans in the Businesses, Very Small Enterprises & Professionals, and Local Public Sector segments. Capex financing for local authorities represented more than €1 billion at 30 June 2020, roughly the same level as at end-2019.

In the Insurance business, several major projects were carried out in connection with the integration of CNP Assurances. Governance changes were implemented and the integration of the finance, risk management, compliance and internal control functions was pursued, while work also continued to implement the business project, focusing on the product and service offering, distribution, customer experience and information systems sub-projects.

La Banque Postale also completed the buyout of Groupama's 35% stake in La Banque Postale Assurances IARD, while at the same time extending cooperation in the legal protection and assistance market with Groupama, which remains a long-term partner.

In Asset Management, La Banque Postale has given new impetus to its subsidiary La Banque Postale Asset Management, an SRI pioneer that is becoming a multi-specialist conviction management firm focused on sustainable finance. LBP AM and its subsidiary Tocqueville Finance, which together manage some €50 billion worth of assets, will continue to be 70%-owned by La Banque Postale, 25% by Aegon Asset Management and 5% by Malakoff Humanis. The transaction is subject to approval by the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) and is expected to be completed before the end of 2020.

Announced in December 2019, La Banque Postale and **Natixis have signed an agreement to merge their fixed-income and insurance-related asset management businesses**, creating a European leader with over €415 billion in assets under management for large institutional clients. The newly formed joint entity will be 55%-owned by Natixis (through its subsidiary Natixis IM) and 45% by LBP AM, a subsidiary of La Banque Postale. The teams are expected to be combined within Ostrum AM by the end of 2020.

The Private Banking subsidiary, BPE, reported net banking income up 10%, operating profit up 21% and net profit up 27%³, led by 14.7% growth in outstanding loans to €3.7 billion and a €1 billion increase in managed savings to €10 billion. The integration of La Banque Postale Immobilier Conseil (LBPIC) in first-half 2020 has strengthened BPE's property management expertise and created an opportunity to expand its integrated product and service offering.

Ma French Bank, La Banque Postale's fully-mobile bank launched in late July 2019, confirmed its success with nearly 200,000 customers signed up by the end of first-half 2020. A total of 64% of customers were signed up by the 2,000 post offices that distribute the solution (3,000 since 30 June).

In first-half 2020, La Banque Postale pursued its **operational excellence programme** by deploying processes that are both more industrial (thanks to process automation and digitisation) and more personalised (use of artificial intelligence and individualised communications). In particular, following deployment of Cap Client 3.0, the banking advisers (based in post offices or financial centres) are able to process substantially all customer requests on the same workstation. And for all new products, customers will be able to complete all or part of the process more autonomously.

As part of the integration of CNP Assurances, the Customer Experience and Information Systems Upgrade programme will be based on an approach designed to optimise "front-to-back-office" processes and accelerate their digitisation (remote sales and selfcare).

A SOCIALLY RESPONSIBLE RESPONSE TO THE CRISIS

Mobilisation in support of all customers from the onset of the health crisis

La Banque Postale actively mobilised its resources as from the onset of the health crisis to support all of its customers, especially the most vulnerable. For example, together with the La Poste network, La Banque Postale has set up a special Covid-secure system for the payment of State benefits. In addition, loan repayment holidays were granted on a case-by-case basis and overdraft limits were raised to help customers experiencing short-term financial hardship.

For retail insurance customers, La Banque Postale Assurances rolled out exceptional solidarity measures including application of the *Petit rouleur* low mileage tariff on the car insurance portfolio for three months; free school coverage for home insurance customers who had selected the school option; waiving of the excess in the event of a claim, for three months as of the start of lockdown; free remote medical consultations for supplementary health insurance customers and three-month exemption from supplementary health insurance contributions for furloughed employees. On top of its €27 million contribution to France's State-backed solidarity fund for small businesses and freelance workers, La Banque Postale, together with subsidiary CNP Assurances, is also party to discussions over setting up a solidarity fund for health disasters.

For Business customers, working with the French State, La Banque Postale helped to set up the special government-backed loan scheme. La Banque Postale also applied interest repayment holidays automatically for professional customers and on request for businesses.

La Banque Postale, the leading bank lender to **public hospitals and local authorities**, offered these customers interest-free financing. Of the €300 million earmarked for these loans, some €200 million was paid out. **A further €300 million was earmarked to support major non-profits operating in the healthcare and community outreach sectors.**

³ Management data.

Faster digital transformation

Multi-channel access to banking services was strengthened during first-half 2020. Since the beginning of lockdown, there have been over 3 million visitors each day to the site and the app, and customer service lines have processed an average of 50,000 calls per day, with the number of calls peaking at 100,000.

Certain developments were accelerated in response to the Covid-19 crisis. For example, this was the case for customer information: a further 1.7 million customers signed up to receive digital monthly account statements and customers were sent information by text message during State benefit payment periods. La Banque Postale also launched an instant payments service in the Single Euro Payments Area (SEPA) through Transactis, a joint venture between La Banque Postale and Société Générale.

Reflecting its determination to continue offering customers a high quality service in the exceptional environment, **La Banque Postale lost no time in adjusting its organisation to encourage home working and remote banking services**, in order to comply with health safety and banking security rules. These efforts ensured that **no employees had to be furloughed**. Thanks to its highly efficient IT systems, 25,000 employees in administrative and sales positions were able to work from home.

In line with its commitment towards employees, La Banque Postale adopted a training-based change management approach. **Ecole de la Banque et du Réseau**, its dedicated banking school, provided a total of 69,725 days of training in the first half despite the Covid-19 crisis.

Solidarity at the centre of all initiatives by La Banque Postale and its subsidiaries

La Banque Postale and its subsidiaries launched a number of outreach initiatives to help address the health and economic consequences of the pandemic. For example, donations were made to medical research institutions (notably, funding of up to €1 million for Institut Pasteur) and CNP Assurances lent support to vulnerable people, healthcare workers and medical research through a variety of donations (totalling more than €300,000).

The crowdfunding subsidiaries **KissKissBankBank and Goodeed supported several solidarity and community initiatives, raising €1.5 million through the “Stronger Together” campaign.**

Increased engagement in favour of sustainable finance

La Banque Postale was an early advocate of sustainable finance and has increased its commitment to socially responsible investing through its subsidiary La Banque Postale Asset Management (LBP AM), with the launch of **a further 28 SRI funds in the first half of 2020**. Including these funds, 67% of total assets under management are now eligible for inclusion in SRI portfolios. These new funds underscore LBP AM’s commitment to becoming a “100% SRI” asset manager by the end of 2020.

In response to the urgent need for France’s regions to pursue their environmental transition, **La Banque Postale has also launched a range of “green” loans for local authorities**, to be invested in 100% sustainable projects. Over the past twelve months, some €700 million worth of green loans have been granted in support of more than 100 projects.

In addition, the **Corporate and Investment Banking division is continuing to develop its project finance business in the renewable energies sector.**

3.2 BUSINESS ACTIVITY AND RESULTS FOR THE FIRST HALF OF 2020

La Banque Postale Group business activity and results

The impact of fully consolidating CNP Assurances breaks down as follows:

- Write-down of La Banque Postale's previously held equity-accounted interest: negative impact of €1,578 million.
- Reclassification in profit of the Group's share of CNP Assurances' unrealised gains and losses: positive impact of €594 million.
- Recognition of goodwill: positive impact of €4,578 million.
- Purchase price allocation adjustments (remeasurement of CNP Assurances' assets and liabilities at their acquisition-date fair value) amortised over the useful lives of the acquired assets and liabilities: amortisation charge of €60.2 million in first-half 2020.

Total impact: €3,532.9 million, recorded in net profit attributable to owners of the parent.

Consolidated income statement (in € millions):

Main items on the income statement	First-half 2020	First-half 2020	First-half 2019	Change	First-half 2020
	Reported	Excluding non-recurring impact of CNP Assurances first-time consolidation entries	Reported	Reported	Contribution of CNP Assurances excluding non-recurring impact of CNP Assurances first-time consolidation entries**
Net banking income	3,793	3,933	2,850	+33%	1,105
Net banking income excl. PEL/CEL effect	3,815	3,955	2,822	+35%	
Operating expenses	(2,710)	(2,690)	(2,353)	+15%	(343)
Gross operating profit	1,083	1,243	497	x2	762
Cost of risk	(228)	(211)	(41)	x5.5	2
Operating profit	855	1,032	455	x1.9	763
Goodwill	4,578	0	0		0
Gains and losses on other assets	(1,579)	(1)	0	n.m.	(1)
Share of profits of equity-accounted companies	663*	69	136	n.m.	25
Pre-tax profit	4,516	1,100	591	x7.6	788
Income tax	(315)	(376)	(162)	n.m.	(273)
Net profit	4,201	725	429	x9.8	514
Non-controlling interests	(200)	(257)	(7)	n.m.	(246)
Attributable net profit	4,001	468	422	x9.5	268
Cost/income ratio (%)	71.9%	68.8%	83.2%	-11.3 pts	31.1%

* Including CNP Assurances by the equity method in January and February.

** Control of CNP Assurances was acquired on 4 March 2020 and it is therefore fully consolidated over the last four months of the period only.

La Banque Postale Group delivered a resilient **business performance** in a challenging environment. Home loan originations were down 12.8% and consumer finance originations fell by 26.6%, but customer savings deposits rose 4.1% to €335.5 billion.

Operating expenses remained more or less flat over the period, excluding the effect of the change in consolidation scope (full consolidation of CNP Assurances). This cost discipline enabled La Banque Postale to step up its investments in diversification, enhanced service quality and the further strengthening of corporate functions.

Cost of risk rose to €211 million in first-half 2020 from €41 million in the year-earlier period, mainly due to the Covid-19 crisis. The increase primarily reflected adjustments to risk parameters based on forward-looking estimates of Covid-19 risks. The ratio of cost of credit risk to commercial banking outstanding loans stood at 32 bps (4.6x). The provisions booked in first-half 2020 represented more than the amount for the whole of 2019, due to the worsening economic conditions expected in the second half of the year.

Risk monitoring was stepped up in light of the situation. **At 30 June 2020, the non-performing loan (NPL) ratio stood at 0.8%, attesting to La Banque Postale's good risk profile.**

The €21.8 billion "Corporate" loan book is chiefly exposed to the real estate sector (19.5% of outstanding loans) and the energy sector (17.6%), which have the advantage of high collateralisation ratios. La Banque Postale's exposure to the economic sectors that have been the hardest hit by the crisis – automotive and tourism/restaurants – is low. Loans to customers in these sectors represent 5.9% and 2.6% of total outstanding loans, respectively. **The non-performing exposure (NPE) ratio for this loan book stood at 1.8%.**

Lastly, consolidated earnings reflect the significant impact of **non-recurring items related to the integration of CNP Assurances**. CNP Assurances has been fully consolidated as from 4 March 2020. Prior to that, La Banque Postale's 20.15% interest was accounted for by the equity method in January and February and then deconsolidated for an amount based on CNP Assurances' opening share price on 4 March of €13.97.

Deconsolidation of the 20.15% interest followed by full consolidation of CNP Assurances, which is now 62.8%-owned by La Banque Postale, had a €3.5 billion accounting impact on La Banque Postale's attributable net profit.

3.3 ACTIVITIES AND RESULTS BY BUSINESS LINE

3.3.1 Retail Banking

(in € millions)	First-half 2020	First-half 2019	%
Net banking income	2,602	2,596	+0.2
Net banking income excl. PEL/CEL effect	2,624	2,568	+2.2
Operating expenses	(2,232)	(2,242)	-0.4
Gross operating profit	369	354	+4.4
Cost of risk	(213)	(41)	<i>n.m.</i>
Operating profit	157	312	-49.8

Financial results significantly affected by the Covid-19 crisis

Net banking income from Retail Banking activities was stable compared with first-half 2019 at €2,602 million. Restated for PEL/CEL effects, net banking income came to €2,624 million, up 2.2%. The net interest margin (including PEL/CEL effects) dipped by 1% in first-half 2020.

Retail Banking operating expenses were virtually stable, at €2,232 million, despite the additional costs incurred in managing the Covid-19 crisis and the ongoing investment in development projects. Gross operating profit rose by 4.4% to represent €369 million.

The increase in the cost of risk to €213 million primarily reflected adjustments to risk parameters based on forward-looking estimates of Covid-19 risks. **The ratio of cost of credit risk to Commercial Banking outstanding loans stood at 32 bps.**

The higher cost of risk led to a 49.8% fall in Retail Banking operating profit to €157 million.

Amid lockdown and crisis conditions, Retail Banking outstanding loans rose by 3.4%, while savings deposits were up by a strong 4.1%.

Retail Banking outstanding loans rose by 3.4% to €69.5 billion, including €64 billion in home loans (up 3.6% over the period) and some €5 billion in consumer finance (a decline of just 0.5% in a French consumer finance market down 23.8%).

Home loan originations totalled €4.9 billion over the period, a decrease of 12.8%.

Consumer finance originations contracted by 26.6% to €1 billion in a market severely affected by the lockdown. Personal loans obtained on-line or via the remote platform remain at a high level and now represent 41% of total production.

The network's banking advisers successfully placed with Retail Banking customers €189 million worth of La Banque Postale EMTNs structured by the Corporate and Investment Banking division.

Outstanding deposits rose by 15.6% over the period to €80.3 billion. This increase concerned sight deposits by both personal banking customers (for €68.4 billion, up 12.4%) and businesses, which now total €11.9 billion (up 38.6%).

Life insurance outstandings dipped by 1.4% to €124.8 billion. New money fell by 26.6% to €3 billion due to the effects of the Covid-19 health and economic crisis.

Livret A accounts benefited from the crisis-led increase in precautionary savings, with deposits rising 4.1% to €64.6 billion. In all, customer deposits in regulated savings accounts (Livret A, Livret d'Épargne Populaire and Livret Développement Durable et Solidaire accounts) rose by 3.6% to €86.7 billion.

Overall, customer savings deposits increased by €13.1 billion to €335.5 billion at 30 June 2020, an increase of 4.1% over the period.

The Corporate Loan business performed well

Corporate loan originations continued to rise in first-half 2020, to €18.4 billion (up 14.4%), with the volume of factored invoices down by just 0.2% at €5.7 billion.

Outstanding loans continued to increase, rising 21.1% period-on-period to €36.2 billion. The total breaks down as follows: €24.2 billion in loans to businesses, very small enterprises and professionals (up 19.8%) and €12 billion in loans to local authorities and social landlords (up 23.7%).

In all, outstanding loans increased by 8.8% to €105.7 billion.

3.3.2 Insurance

(in € millions)	First-half 2020 Reported	First-half 2020 Excluding CNP Assurances*	First-half 2019 Reported	Reported change (%)	% Excluding CNP Assurances
Net banking income	1,117	153	180	n.m.	-15
Operating expenses	(427)	(64)	(64)	n.m.	0
Gross operating profit	690	89	115	x6	-23
Cost of risk	(15)	0	0	n.m.	n.m.
Operating profit	675	89	115	x6	-23

* CNP Assurances accounted for by the equity method in January and February.

Excluding the impact of fully consolidating CNP Assurances, the Insurance division's contribution to consolidated net banking income amounted to €153 million. This was less than in first-half 2019, which represented a high basis of comparison due to the favourable results of prior period technical reserve liquidations. The insurance subsidiaries' operating expenses were stable at €64 million and their operating profit came to €89 million.

The full consolidation of CNP Assurances boosted the Insurance division's contribution to consolidated net banking income to €1,117 million and its contribution to consolidated operating profit to €675 million.

Life Insurance and Term Creditor Insurance

Life Insurance and Term Creditor Insurance premium income amounted to €5,955 million, with Savings/Pensions business in all geographic markets adversely affected by the Covid-19 crisis.

Breakdown of Life Insurance and Term Creditor Insurance premium income:

(in € millions)	First-half 2020	France	Italy	Europe (excl. France and Italy)	Latin America
Savings/Pensions	4,643	2,876	694	285	788
o/w Traditional savings	2,317	2,077	171	62	8
o/w Unit-linked	2,326	799	523	223	780
Term Creditor Insurance	1,312	860	12	43	191
Total premium income	5,955	3,736	706	328	979

Savings/Pensions premium income amounted to €4.6 billion, split evenly between traditional and unit-linked contracts.

In France, Savings/Pensions premium income was affected to an equal extent by the effects of the Covid-19 crisis on the distribution networks (leading to €2.3 billion in "lost" premium income) and by the consequences of a marketing policy designed to reduce exposure to traditional savings contracts in the low interest rate environment. The proportion of total premium income represented by unit-linked contracts continued to rise despite the challenging environment, with Savings/Pensions net new money reflecting a €0.6 billion net inflow to unit-linked contracts and a €4.3 billion net outflow from traditional products.

In Latin America, premium income was adversely affected by the reduction in insurance sales over three months at Caixa Econômica Federal bank branches, which primarily focused their efforts on making emergency payments to low income families.

In the *Europe excluding France* region, premium income was eroded by the effects of the Covid-19 crisis and also by the shift in strategic focus away from traditional savings contracts. Savings/Pensions premium income in Italy was stable, with a very good level of unit-linked new money.

Term Creditor Insurance premiums totalled €1.3 billion.

Property & Casualty, Health, Death & Disability Insurance

Premium income from these businesses came to €483 million in first-half 2020. The insurance book grew slightly to 4.63 million policies, with the decline in sales of new policies during lockdown more than offset by the improved business retention rate.

Premium income from Death & Disability insurance amounted to €258 million in first-half 2020. Individual insurance premiums were stable at 0.2%.

Property & Casualty earned premiums rose by 2.5% to €181 million, after taking into account the impact of policyholder support measures during lockdown. In line with its socially responsible insurer mission, the division applied the *Petit rouleur* low mileage tariff on the car insurance portfolio and offered free school coverage for home insurance customers who had selected the school option.

In addition to these pricing measures, the socially responsible approach to protecting policyholders led to a three-month waiver of the excess in the event of a claim; free remote medical consultations for supplementary health insurance customers; three-month exemption from supplementary health insurance contributions for furloughed employees and the contribution to the French national solidarity fund (*Fonds National de Solidarité*).

The insurance subsidiaries continued to report robust underwriting results; at end-June 2020, their combined ratio net of reinsurance stood at 90.3%.

3.3.3 Asset Management

(in € millions)	First-half 2020	First-half 2019	%
Net banking income	74	74	<i>-0.1</i>
Operating expenses	(50)	(46)	<i>+9</i>
Gross operating profit	23	28	<i>-15</i>
Cost of risk	0	0	<i>n.m.</i>
Operating profit	23	28	<i>-15</i>

The Asset Management division's net banking income was stable in first-half 2020 compared with the year-earlier period, despite a 2% contraction of assets under management versus end-2019 to €227 billion. This was mainly due to a €2.5 billion unfavourable market effect, reflecting the financial markets' volatility during the period, and included the loss of fees income from certain major institutional investors after the Ostrum and LBP AM asset management businesses were combined, which was more than offset by an increase in investment fund management fees.

Against the backdrop of these operations, operating expenses rose by 9% and operating profit declined by 15% to €23 million.

3.3.4 Financial structure

Key indicators

Key indicators	30 June 2020	31 December 2019	Change
Balance sheet			
Total assets (in € billions)	719	272	x2.6
Capital			
Total regulatory own funds (in € billions)	18	12.4	+44.7%
Common Equity Tier 1 (CET1) ratio	17.3%	12.2%	+5.1 pts
Tier 1 ratio	18.2%	13.2%	+5.0 pts
Total capital ratio	20.8%	16.2%	+4.6 pts
Leverage ratio ⁴	6.1%	4.5%	+1.6 pts
ROE ⁵	7.4%	8.4%	-1 pt
Liquidity			
Loan-to-deposit ratio (LDR)	82.7%	90.0%	-7.3 pts
Liquidity coverage ratio (LCR)	169%	153%	+16 pts

Total assets at 30 June 2020 amounted to €719 billion compared with €272 billion at 31 December 2019. The increase reflects the impact of the first-time consolidation of CNP Assurances.

La Banque Postale has a robust financial structure, with total regulatory own funds of €18 billion at 30 June 2020:

- Its **estimated Common Equity Tier 1 (CET1) ratio was 17.3%** at that date, up 5.1 points from 31 December 2019. The increase reflects i) the €5.6 billion contribution of CNP Assurances to regulatory own funds and the recognition of profit for the period, partly offset by ii) the €9,726 million growth in risk-weighted assets (including €7,106 million from the first-time consolidation of CNP Assurances, combined with a modest rise in the banking business' risk-weighted assets).
- The **Tier 1 ratio was 18.2%**.
- La Banque Postale's total capital ratio represented 20.8% at 30 June 2020, up 4.6 points from end-December 2019.
- **The leverage ratio, excluding savings funds centralised at the level of CDC, stood at 6.1%.**

Based on the above, La Banque Postale's ROE was 7.4% at 30 June 2020.

La Banque Postale's exposure to liquidity risk is low, with a loan-to-deposit ratio of 83% attesting to the Group's strong self-financing capacity, and a liquidity coverage ratio of 150% versus a minimum ratio requirement of 100%.

Lastly, to increase liabilities eligible for inclusion in the Minimum Requirement for Own Funds, **La Banque Postale carried out a €750 million Senior Non-Preferred Notes issue in the first half of the year.** The issue was 3.3 times oversubscribed in an environment shaped by the Covid-19 health and economic crisis and the price was tightened to 88 bps over the mid-swap rate, providing further confirmation of La Banque Postale's attractiveness among the investor community.

⁴ Leverage ratio calculated by applying the May 2019 decision of the European Central Bank (excluding 50% of the centralised savings funds) was 5.4%.

⁵ ROE = Attributable net profit/Average attributable permanent own funds.

3.4 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

Total assets amounted to €719 billion at 30 June 2020, up €447.4 billion (164.7%) compared with 31 December 2019.

The main asset items in the balance sheet comprised:

- financial assets at fair value through profit or loss (€185.9 billion at 30 June 2020 versus €10.9 billion as reported at 31 December 2019). These consist primarily of government paper and equivalents, bonds and other fixed-income securities and UCITS in the amount of €142.8 billion;
- financial assets at fair value through other comprehensive income (€231.8 billion as at 30 June 2020 versus €15 billion as reported at 31 December 2019). These consist for the most part of bonds for €103.8 billion and government paper and equivalents for €127.6 billion;
- loans and advances to credit institutions at amortised cost (€76.6 billion at 30 June 2020 compared with €70.6 billion at 31 December 2019). This item chiefly comprises demand deposits in an amount of €72.9 billion, including funds held in Livret A, Livret de Développement Durable et Solidaire (LDDS) and Livret d'Épargne Populaire (LEP) savings accounts centralised at the level of Caisse des Dépôts for €67.3 billion;
- loans and advances to customers at amortised cost (€121.6 billion at 30 June 2020 compared with €113.6 billion at 31 December 2019). This item mainly includes outstanding home loans, consumer loans and corporate loans (to businesses, professionals and local authorities);
- securities at amortised cost (€25.2 billion at 30 June 2020 versus €28 billion at 31 December 2019), consisting primarily of government paper and equivalents, and bonds.

The main liability items in the balance sheet, apart from attributable equity of €28.9 billion, are:

- liabilities due to credit institutions for €36.6 billion (versus €30.7 billion at 31 December 2019). This item mainly includes securities and other assets sold under collateralised repurchase agreements for €26 billion versus €25.3 billion at 31 December 2019;
- customer deposits for €222.2 billion (versus €191 billion as reported at 31 December 2019). This item comprises demand deposits for €85 billion and regulated savings accounts for €119.1 billion, including €31.7 billion in home loan savings, €64.6 billion in Livret A accounts and €22.9 billion in other regulated savings accounts (LEP, LDDS and other passbook savings accounts);
- debt securities for €20 billion (versus €23.7 billion as reported at 31 December 2019);
- subordinated debt for €10.9 billion (versus €3.1 billion as reported at 31 December 2019).

La Banque Postale's ROA⁶ was 0.56% at 30 June 2020.

⁶ Return on assets (attributable net profit/total assets).

3.5 POST-BALANCE SHEET EVENTS

None.

3.6 ALTERNATIVE PERFORMANCE INDICATORS – ARTICLE 223-1 OF THE AMF GENERAL REGULATION

API	Definition/calculation method
NBI excluding PEL/CEL 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

RISK FACTORS

LA BANQUE POSTALE GROUP

PILLAR III INFORMATION



BANQUE ET CITOYENNE

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4.1 SUMMARY OF RISKS

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

- the reporting obligations of Regulation (EU) no. 575/2013 on prudential requirements for credit institutions and investment firms (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) no. 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or for their admission to trading on a regulated market (Prospectus 3);
- ESMA guidelines on the new format for risk factors which issuers must disclose in Prospectus 3 (ESMA31-62-800).

4.1.1 Principal structural risk factors

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

The risks presented in the “Risk factors” section have been identified as being significant and specific to La Banque Postale and of a nature, should they materialise, to 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 macro-economic 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.

4.1.1.1 Risks related to the macro-economic environment

1. The Covid-19 crisis and its impact on the global economy and markets is expected to have an impact on La Banque Postale's results and financial position

At the date this document was prepared, the first wave of the coronavirus epidemic in France had passed and economic activity had begun to resume after more than 50 days of lockdown. However, the virus is still actively circulating and it remains uncertain whether there will be a second wave, and if so, what health measures will be taken by national governments, particularly in France.

In addition to this potential second wave, there is a significant level of uncertainty concerning the economic situation and to what degree it will recover. The initial scenarios communicated by the ECB in mid-June show a rapid recovery in view of the massive governmental support measures, particularly government-backed loans and reductions in personnel costs for companies (through short-time working, furlough schemes, exemptions from social security contributions, etc.), as well as capital spending plans and actions to reboot the economy. These scenarios obviously depend on whether or not there is a second wave of the virus.

The Covid-19 crisis has impacted both the financial markets – which slumped by more than 30% at the height of the crisis in the first half of 2020 – and economic activity in France. Economists (notably from the ECB and Banque de France) are forecasting a decrease in French GDP of around 10 points in 2020 followed by a bounce back in 2021. In parallel, in view of the crisis and in order to support national economic recovery plans, central banks are likely to maintain the low interest rate environment seen since end-2018.

Each of the above impacts (i.e., the financial markets shock, macro-economic shock and low interest rates) individually constitutes a risk factor in its own right. The challenges raised by each of these risks in relation to the results of La Banque Postale’s various businesses and the Group’s solvency metrics (notably the CET1 ratio) are described further on in this chapter.

In view of the 3-6 month loan repayment holidays that have been granted, the number of expected business failures has not yet been significant within La Banque Postale’s portfolios. The Group expects to see these payment defaults in the second half of 2020 and the first half of 2021.

In summary, the impacts of the Covid-19 crisis are expected to be as follows:

- **Corporate customers:** increase in business failures for the most fragile customers. The size of companies and the sector they operate in are two of the main factors used for assessing this risk. Consequently, La Banque Postale has strengthened its sector-specific provisions (Automotive, Tourism-Hospitality-Catering and Distribution) and has adjusted its provisioning procedures based on company size.
- **Retail customers:** job and income stability for customers with loans is a major factor for assessing credit risk related to this segment. The French unemployment system will allow this risk to be postponed or even completely offset. However, in order to protect itself from such risk exposure, for the purpose of recognising provisions for its retail customers, La Banque Postale has put in place a statistical approach that differs depending on customers' socio-professional categories.
- **Commercial impact:** as well as the effects on customers' solvency and the related credit risk, the Covid-19 crisis has also impacted La Banque Postale's ability to achieve its commercial objectives. Consequently, over and above its impact on the cost of risk, the crisis will also affect La Banque Postale's revenue and, therefore, its profitability.
- **Valuation of financial instruments carried at fair value through equity:** the financial crisis had an "instant" impact on the valuation of instruments that are not recognised at amortised cost. This impact was seen in the Group's financial statements and its solvency situation. If a second wave occurs and triggers another impact on the financial markets, the Group's solvency would be once again affected.

Following the lockdown measures in France, La Banque Postale activated its business continuity plan and accelerated large-scale deployment of home working for the vast majority of its employees, including for the La Poste Network and the Financial Centres. This enabled the Group to significantly limit the impacts of the crisis on its operational capacity, both in terms of managing requests and customer relations. La Banque Postale has therefore clearly demonstrated that it has the organisational ability to ensure its business continuity if a second wave of the virus were to occur.

At 30 June 2020, the Covid-19 health and economic crisis had a negative €361 million impact on net banking income and a negative €141 million impact on cost of risk.

At 30 June 2020, the exposure of La Banque Postale's Corporate portfolio to the industries most severely impacted by the crisis remains modest, with 5.9% of the portfolio exposed to the automotive sector and 2.6% to the tourism and restaurant industry.

2. 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 downturn in economic growth and a slower than expected adjustment of inflation in the eurozone, the ECB has indefinitely abandoned its plans to return interest rates to more normal levels. In December 2019, it kept its interest rates very low, and is expected to do so until it sees a lasting return of inflation within the target of its mandate, i.e., just below 2%. This trend was confirmed by the economic responses to the Covid-19 crisis.

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

In this environment, the interest rates on regulated savings accounts – i.e., the Livret A, Livret de Développement Durable et Solidaire (LDDS) and Livret d'Épargne Populaire (LEP) – would offer interest rates (and therefore represent costs for La Banque Postale) that are higher than market rates (i.e., the refinancing cost that La Banque Postale could obtain if it were to seek financing on the markets). However, La Banque

Postale, the long-term distributor of these products (with outstandings of €86.7 billion at 30 June 2020), and notably of the Livret A (€64.6 billion in outstandings as at 30 June 2020), would have a reduced ability to lower the cost of its customers' deposits. In addition, given the current economic uncertainty and health crisis, these savings products are considered to be "safe" and have therefore become more popular despite the very low interest rates that customers receive on them.

An environment in which interest rates remain very low for an extended period of time could result in another wave (following the wave in 2017-2018) of early repayments and refinancing of fixed-rate loans (mortgages and other types of loans) granted to both retail and corporate customers by La Banque Postale. As the outstandings on fixed-rate customer loans totalled €64 billion at 30 June 2020 out of total loan outstandings of €105.7 billion, such early repayments or refinancing could have a significant and lasting impact on La Banque Postale's revenue and profitability.

Lastly, low interest rates could affect the profitability and solvency (within the meaning of Solvency II Regulations) of the Group's insurance business. By impacting the investment returns of the Group's insurance subsidiaries, a low interest rate environment could lead to higher numbers of policy surrenders and a decrease in subscriptions, which in turn could have an adverse effect on La Banque Postale's net banking income (NBI). Further information on this issue is provided in the section on risk factors related to the Group's insurance business.

CNP Assurances – France's leading life insurer – is a 62.84%-owned subsidiary of La Banque Postale, and the overall Insurance division accounted for 29.5% of the Group's NBI in the first half of 2020.

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

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

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

- the Group's business plan, leading to lower credit production;
- the deterioration of borrower solvency, including both natural persons and legal entities.

These impacts would be all the more significant given that a substantial proportion of La Banque Postale's banking customers is already financially vulnerable as defined by the applicable regulations (over 1.5 million of La Banque Postale's clients fall within the scope of this definition) and their financial resources could be affected by the worsening macro-economic environment.

Moreover, a significant deterioration in macro-economic conditions could lead to a higher number of people excluded from traditional banking. La Banque Postale has a public service mission in this domain in France, which it exercises exclusively, under its role of providing banking accessibility.

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

La Banque Postale only generates a limited amount of income from trading activities and assets recognised at fair value through profit or loss. Consequently, the volatility of its results related to changes in financial markets is contained.

While the integration of CNP Assurances has had a favourable impact on La Banque Postale's solvency, the Group's capital ratio is now more sensitive to the financial markets, particularly due to CNP Assurances' financial instruments at fair value through OCI, which are included in the calculation of the bank's regulatory capital. This key component, cumulated with La Banque Postale's positions recognised at fair value through equity, increases the sensitivity of the Group's solvency ratio to changes in the financial markets. Consequently, a second financial markets shock could negatively impact the Group's solvency.

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

In addition to the economic and financial impacts of the Covid-19 crisis, further uncertainties are being caused by political factors, such as the difficulty of the British government and the European Union to come to a trade agreement following Brexit, and the intensification of trade wars, particularly between the United States and China. These uncertainties could affect economic activity and therefore demand for loans as well as the solvency of borrowers in Europe, particularly La Banque Postale's corporate customers.

La Banque Postale's increased ownership interest in CNP Assurances gives it a higher level of international exposure, especially in Brazil, which accounts for 17% of CNP Assurances' revenue.

4.1.1.2 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 Additional Tier 1 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 30 June 2020, La Banque Postale's Additional Tier 1 (AT1) capital amounted to €750 million, and its Tier 2 capital, non-preferred senior debt, and senior preferred

debt (all with residual maturities of over one year) totalled €2,250 million, €2,000 million (nominal) and €1,452 million respectively.

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.

o **The application of the leverage ratio as a Pillar I requirement:** this ratio, which is covered in the current Capital Requirements Regulation (CRR) no. 575/2013, is intended to limit any excessive bank indebtedness during economic recovery periods. It is therefore becoming compulsory, like the capital ratio, with a minimum requirement of 3% of Tier 1 capital.

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

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

o **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 that enables it to offset its exposures with stable sources of financing (see Section 4.5.1.3 "Liquidity risk" of the Universal Registration Document filed on 17 March 2020).

o **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.

o **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. At 30 June 2020, market risk-weighted assets (RWA) accounted for less than 1.6% of the Group's total RWA, i.e., €1,366 million for a total RWA of €86,593 million. At 31 December 2019, a doubling of the capital charge as a result of regulatory changes would have had 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, results and reputation

La Banque Postale has been involved in legal, arbitration and administrative procedures in the past and could be again in the future. The majority of the procedures have been related to the ongoing business of La Banque Postale and its subsidiaries. These legal risks are heightened by the complexity of the applicable laws and regulations, the constantly increasing intensity of the controls implemented by the competent authorities and the resulting increase in the amounts of fines and sanctions that may be levied. In addition, private disputes against financial institutions have increased substantially over the past years (the risk has increased for La Banque Postale Group as a result of the extent of its distribution network). When their outcome goes against La Banque Postale, the procedures can result in the payment of significant damages, fines, and penalties which can negatively impact 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 in which it is involved. It creates a provision when losses related to the procedures appear to be likely and can be reasonably estimated. The nature of litigation and procedures makes it difficult to predict their outcome and the amounts involved. If the estimates are wrong or if the provisions created by La Banque Postale are insufficient to cover the risks related to the procedures, they could have a significant negative impact on the financial position and results of La Banque Postale.

La Banque Postale could 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 would not have a significant negative impact on La Banque Postale's operating profits, regardless of the financial year in question.

As at 30 June 2020, the amount of the provision for legal risk (customers) was €20.7 million for La Banque Postale SA.

For more information see Section 4.8.1 "Legal and tax risk" of the 2019 Universal Registration Document. Legal risks pertaining to La Banque Postale's subsidiary CNP Assurances are presented on page 372 of its 2019 Universal Registration Document (Section 8.1.8 "Claims and litigation").

4.1.1.3 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

As is the case for all lending institutions, credit risk constitutes one of the main risks to which La Banque Postale is exposed. This risk has become more significant and probable in view of the economic crisis that is likely to follow the current health crisis.

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

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

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

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

Until late 2019, La Banque Postale's risk level was very low given the height of the economic cycle and the level of interest rates which considerably improved customer solvency. However, any rapid deterioration in economic conditions, such as those expected following the Covid-19 crisis, could significantly increase the likelihood of this risk occurring, which if it were to occur would negatively affect La Banque Postale's financial position. 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, mostly 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.

At 30 June 2020, the non-performing loan (NPL) ratio was very low, at 0.8%. The non-performing exposure (NPE) ratio for the Corporate portfolio (€21.8 billion in outstandings at 30 June 2020) stood at 1.8%.

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 negatively affect La Banque Postale's market activities, particularly the debt markets (premium applicable to bond issues). It could impact the valuation of assets revalued at fair value and have a direct impact on the earnings, capital and capital ratio of La Banque Postale.

La Banque Postale uses a VaR (Value at Risk) model to quantify its potential exposure.

Changes in the VaR for La Banque Postale in 2020 are set out in Section 4.5.2.9, "Change in the main risk indicators for the trading room in 2020 and monitoring limits for the 'Fair value through profit or loss' scope" of this Amendment to the Universal Registration Document.

At 30 June 2020, RWAs related to market risk reached €1.4 billion, i.e., 1.6% 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 was a nominal €11.13 billion at 30 June 2020.

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

La Banque Postale's unfunded 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 the first half of 2020, *La Banque Postale Home Loan SFH* issues totalled €5,850 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 83% at end-June 2020. The need to turn to the interbank market is, therefore, limited for La Banque Postale.

At 30 June 2020, La Banque Postale's LCR was 169%, its leverage ratio was 5.4% (calculated excluding 50% of regulated savings, in accordance with the applicable 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 stable outlook was confirmed by Standard & Poor's on 27 March 2020. Fitch Ratings also confirmed La Banque Postale's A rating with a stable outlook on 15 April 2020.

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. The Insurance division accounted for 29.5% of the Group's NBI for the six months ended 30 June 2020.

Life insurance: a deterioration in the market situation and, notably, a very significant change in interest rates (upward or downward) could have a significant impact on La Banque Postale's life insurance business 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.

The proportion of unit-linked contracts continued to grow during the first half of 2020, with life insurance premium income for the period split evenly between traditional savings contracts and unit-linked contracts (UC).

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 the first half of 2020, the momentum of La Banque Postale's non-life insurance business continued to be positive, with the portfolio up slightly over the period to 4.63 million policies. Premium income from the property and casualty insurance business advanced 2.5% during the period to €181 million.

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

In accordance with the CRR regulation and the government order 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. Cyber-risk is defined as "the risk resulting from a malicious and/or fraudulent act, committed virtually, for the purpose of manipulating information, processes and users with a view to causing significant prejudice to La Banque Postale's companies, employees, partners and customers." This risk has become a major preoccupation of La Banque Postale's governance bodies, and in order to effectively counter internal and/or external fraudsters – whose techniques are multi-faceted and constantly changing – the Group continuously adapts and strengthens its risk management system, in terms of prevention, protection, surveillance and insurance. It has specific insurance coverage for cyber-fraud with extended guarantees.

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

Poor management of outsourcing could result in a concentration risk and loss of control over the business activities in question. La Banque Postale has an outsourcing policy that it uses to effectively manage and oversee its outsourced services as well as a permanent control system that complies with the applicable regulatory requirements. Particular attention is paid to cloud-based outsourcing solutions in order to ensure that the data and processing concerned are carefully controlled.

Additionally, the occurrence of unforeseen events or disasters, such as natural catastrophes (such as a potential earthquake in the Auvergne region of France) or flooding (e.g., if the Seine breaks its banks), a major health crisis, or large-scale strikes, could create economic and financial disturbances and negatively affect the Group's ability to conduct its business. La Banque Postale has set up robust business continuity plans that would enable it to continue to carry out its critical operations, at a minimum level where necessary, and therefore guarantee continued service for its customers. These plans were tried and tested – and strengthened – during recent events (the transport strikes in France in late 2019 and the Covid-19 crisis).

At 30 June 2020, weighted assets for operational risks were contained and only amounted to €9.5 billion, i.e., 11% of La Banque Postale's total RWA.

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

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 government order 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 limits (LCR). It closely tracks changes in its LCR (169% as at 30 June 2020), its leverage ratio (5.4% at 30 June 2020, ratio calculated excluding 50% of centralised savings), its capital ratio (20.8% at 30 June 2020) and its NSFR (above 100% at 30 June 2020).

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

La Banque Postale must therefore ensure compliance with the rules on combating money laundering and the financing of terrorism (AML/TF), customer protection and compliance with ethical and professional standards.

Compliance risk is assessed taking into account the diversification of La Banque Postale's businesses and the national distribution network, the La Poste group's Executive Management of the La Poste Network (the "La Poste Network").

Failure to comply with these rules could also damage La Banque Postale's reputation, thereby resulting in a negative impact on the Group's profitability and business outlook.

The Group Compliance Department oversees the compliance risk system for La Banque Postale and for the banking, insurance and investment services subsidiaries.

It issues Group policies and procedures that are rolled out at the level of the various businesses and subsidiaries.

La Banque Postale's Executive Board has decided to further reinforce the compliance risk system by setting up a Group compliance organisation designed to ensure that procedures are applied effectively across La Banque Postale, its subsidiaries and the La Poste Network.

Accordingly, the La Banque Postale Group Compliance Department has put in place:

- dedicated compliance teams embedded within the management of La Banque Postale's various businesses: Retail Banking (individual and business customers), and Corporate and Investment Banking;
- a dedicated compliance team for the banking activities of the La Poste Network, which is one of the main distribution channels for the banking and insurance offering across France.

The Group compliance organisation also includes the compliance teams of the La Banque Postale Group's subsidiaries, the heads of which report to the La Banque Postale Group Compliance Department.

For further information see paragraph 7 above, "The legal risks to which La Banque Postale is exposed could have an unfavourable impact on its financial position, results and reputation".

4.1.1.4 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. It defines the directions for commercial development and cooperation between Group branches.

To meet these 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 core IT system.

The success of this strategic plan depends on a number of assumptions and initiatives (the scope of which can vary significantly). Should these assumptions not materialise or should any unexpected changes impacting the environment occur, this 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 clientele, 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 the inclusion of CNP Assurances within the consolidation scope)

The public financial unit project was carried out in two concomitant steps:

- firstly, via the transfer to La Poste of the 1.1% and 40.9% stakes in CNP Assurances held respectively by Caisse des Dépôts and the French State, and subsequently the transfers of those interests by La Poste to La Banque Postale;
- secondly, via Caisse des Dépôts, acquiring from the French State an additional interest in La Poste for approximately €1 billion.

The above transactions were carried out based on a valuation of La Poste's pre-transaction equity amounting to €7 billion. Since the completion of the transaction, La Poste has been majority held by Caisse des Dépôts (66%), with the rest held by the French State (34%). La Banque Postale has therefore become the main shareholder of CNP Assurances (holding a 62.1% interest), with the transaction being in line with CNP Assurances' multi-partner model.

The overall operation was completed on 4 March 2020, following regulatory clearance from the relevant authorities.

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 or strategic operations, such as the integration of CNP Assurances, this risk is managed by implementing a dedicated post-acquisition integration project overseen by the Executive Board (in coordination with CNP Assurances' executive team in the case of the integration of CNP Assurances). This ensures that the overall strategies and objectives of all of the Group's operating entities are aligned.

This post-acquisition integration project was 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 was finalised.

Several major projects have been carried out since the CNP Assurances merger was completed on 4 March 2020, despite the constraints related to the Covid-19 crisis: setting up a new governance structure, pursuing the integration work for regulatory functions (finance, risks, compliance, controls), and continuing with the overall business project, focusing particularly on the product and service offering, distribution, customer experience and information systems sub-projects.

The integration project has now entered its second phase of standardising and automating exchanges between the two entities. Given the size and organisational complexity of CNP Assurances' business, the risk of integrating its activities in La Banque Postale is material, despite the above-described risk management system.

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 capital 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.

Description of the differences between the scopes of consolidation (entity by entity) (EU L13)

Entity name	Accounting consolidation method	Regulatory consolidation method				Entity description
		Full consolidation	Proportional consolidation	Equity accounted	Deducted	
LBP SA	Full consolidation	LBP SA	-	-	-	Retail Banking
SCI CRSF DOM	Full consolidation	SCI CRSF DOM	-	-	-	Retail Banking
SCI CRSF METROPOLE	Full consolidation	SCI CRSF METROPOLE	-	-	-	Retail Banking
SCI TERTIAIRE SAINT ROMAIN	Full consolidation	SCI TERTIAIRE SAINT ROMAIN	-	-	-	Retail Banking
SF 2	Full consolidation	SF 2	-	-	-	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 PORT. 1 B.V	Full consolidation	LBP DUTCH MORTGAGE PORTFOLIO 1 B.V	-	-	-	Retail Banking
LBP DUTCH MORTGAGE PORT. 2 B.V	Full consolidation	LBP DUTCH MORTGAGE PORTFOLIO 2 B.V	-	-	-	Retail Banking
MA FRENCH BANK	Full consolidation	MA FRENCH BANK	-	-	-	Retail Banking
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	Full 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
CNP ASSURANCES	Full consolidation	-	-	CNP ASSURANCES	-	Insurance
CNP CAUTION	Full consolidation	-	-	CNP CAUTION	-	Insurance
ARIAL CNP ASSURANCES	Equity accounted	-	-	ARIAL CNP ASSURANCES	-	Insurance
MFPREVOYANCE	Full consolidation	-	-	MFPREVOYANCE	-	Insurance
FILASSISTANCE INTERNATIONAL	Equity accounted	-	-	FILASSISTANCE INTERNATIONAL	-	Insurance
ASSURISTANCE	Equity accounted	-	-	ASSURISTANCE	-	Insurance
ECUREUIL VIE DÉVELOPPEMENT	Equity accounted	-	-	ECUREUIL VIE DÉVELOPPEMENT	-	Insurance
ASSURBAIL PATRIMOINE	Full consolidation	-	-	ASSURBAIL PATRIMOINE	-	Insurance
HIG	Equity accounted	-	-	HIG	-	Insurance

Entity name	Accounting consolidation method	Regulatory consolidation method			Entity description
		Full consolidation	Proportional consolidation	Equity accounted	
CAIXA SEGUROS HOLDING S.A.	Full consolidation	-	-	CAIXA SEGUROS HOLDING S.A.	- Insurance
CAIXA SEGUROS PARTICIPAÇÕES SECURITÁRIAS LTDA.	Full consolidation	-	-	CAIXA SEGUROS PARTICIPAÇÕES SECURITÁRIAS LTDA.	- Insurance
CAIXA SEGURADORA (EX CAIXA SEGUROS)	Full consolidation	-	-	CAIXA SEGURADORA (EX CAIXA SEGUROS)	- Insurance
CAIXA CAPITALIZAÇÃO	Full consolidation	-	-	CAIXA CAPITALIZAÇÃO	- Insurance
CAIXA VIDA E PREVIDÊNCIA	Full consolidation	-	-	CAIXA VIDA E PREVIDÊNCIA	- Insurance
CAIXA CONSÓRCIOS	Full consolidation	-	-	CAIXA CONSÓRCIOS	- Insurance
CAIXA ASSESSORIA E CONSULTORIA	Full consolidation	-	-	CAIXA ASSESSORIA E CONSULTORIA	- Insurance
CAIXA SAÚDE SA	Full consolidation	-	-	CAIXA SAÚDE SA	- Insurance
CNP ASSURANCES COMPAÑIA DE SEGUROS	Full consolidation	-	-	CNP ASSURANCES COMPAÑIA DE SEGUROS	- Insurance
CNP S.A. DE CAPITALIZACIÓN Y AHORRO P/ FINES DETERMINADOS	Full consolidation	-	-	CNP S.A. DE CAPITALIZACIÓN Y AHORRO P/ FINES DETERMINADOS	- Insurance
PREVISUL	Full consolidation	-	-	PREVISUL	- Insurance
WIZ SOLUÇÕES E CORRETAGEM DE SEGUROS S.A.	Equity accounted	-	-	WIZ SOLUÇÕES E CORRETAGEM DE SEGUROS S.A.	- Insurance
ODONTO EMPRESAS CONVENIOS DENTARIOS LTDA	Full consolidation	-	-	ODONTO EMPRESAS CONVENIOS DENTARIOS LTDA	- Insurance
HOLDING CAIXA SEGUROS PARTICIPAÇÕES EM SAUDE LTDA	Full consolidation	-	-	HOLDING CAIXA SEGUROS PARTICIPAÇÕES EM SAUDE LTDA	- Insurance
OPCI FII RENDA CORPORATIVA ANGICO	Full consolidation	-	-	OPCI FII RENDA CORPORATIVA ANGICO	- Insurance
CNP UNICREDIT VITA	Full consolidation	-	-	CNP UNICREDIT VITA	- Insurance
CNP PARTNERS	Full consolidation	-	-	CNP PARTNERS	- Insurance
CNP CYPRUS INSURANCE HOLDINGS	Full consolidation	-	-	CNP CYPRUS INSURANCE HOLDINGS	- Insurance
CNP ZOIS	Full consolidation	-	-	CNP ZOIS	- Insurance
CNP PRAKTORIAKI	Full consolidation	-	-	CNP PRAKTORIAKI	- Insurance
CNP CYPRIALIFE	Full consolidation	-	-	CNP CYPRIALIFE	- Insurance
CNP ASFALISTIKI	Full consolidation	-	-	CNP ASFALISTIKI	- Insurance
CNP CYPRUS TOWER LTD	Full consolidation	-	-	CNP CYPRUS TOWER LTD	- Insurance
CNP CYPRUS PROPERTIES	Full consolidation	-	-	CNP CYPRUS PROPERTIES	- Insurance
CNP HOLDING BRASIL	Full consolidation	-	-	CNP HOLDING BRASIL	- Insurance
CNP EUROPE LIFE LTD	Full consolidation	-	-	CNP EUROPE LIFE LTD	- Insurance
CNP SANTANDER INSURANCE LIFE DAC	Full consolidation	-	-	CNP SANTANDER INSURANCE LIFE DAC	- Insurance
CNP SANTANDER INSURANCE EUROPE DAC	Full consolidation	-	-	CNP SANTANDER INSURANCE EUROPE DAC	- Insurance

Entity name	Accounting consolidation method	Regulatory consolidation method				Entity description
		Full consolidation	Proportional consolidation	Equity accounted	Deducted	
CNP SANTANDER INSURANCE SERVICES IRELAND LIMITED	Full consolidation	-	-	CNP SANTANDER INSURANCE SERVICES IRELAND LIMITED	-	Insurance
CNP LUXEMBOURG	Full consolidation	-	-	CNP LUXEMBOURG	-	Insurance
CNP ASSURANCES PARTICIPAÇÕES LTDA	Full consolidation	-	-	CNP ASSURANCES PARTICIPAÇÕES LTDA	-	Insurance
ASSURIMMEUBLE	Full consolidation	-	-	ASSURIMMEUBLE	-	Insurance
AEP4 SCI	Full consolidation	-	-	AEP4 SCI	-	Insurance
AEP3 SCI	Full consolidation	-	-	AEP3 SCI	-	Insurance
OPCI MTP INVEST	Full consolidation	-	-	OPCI MTP INVEST	-	Insurance
OPCI AEW IMCOM 1	Full consolidation	-	-	OPCI AEW IMCOM 1	-	Insurance
OPCI AEP 247	Full consolidation	-	-	OPCI AEP 247	-	Insurance
I190 - LBP ACTIFS IMMO	Full consolidation	-	-	I190 - LBP ACTIFS IMMO	-	Insurance
OUTLET INVEST	Full consolidation	-	-	OUTLET INVEST	-	Insurance
OPCI RASPAIL	Full consolidation	-	-	OPCI RASPAIL	-	Insurance
SAS ALLERAY	Full consolidation	-	-	SAS ALLERAY	-	Insurance
CIMO	Full consolidation	-	-	CIMO	-	Insurance
SICAC	Full consolidation	-	-	SICAC	-	Insurance
CNP IMMOBILIER	Full consolidation	-	-	CNP IMMOBILIER	-	Insurance
UNIVERS CNP 1 FCP	Full consolidation	-	-	UNIVERS CNP 1 FCP	-	Insurance
ECUREUIL PROFIL 90	Full consolidation	-	-	ECUREUIL PROFIL 90	-	Insurance
VIVACCIO ACT 5DEC	Full consolidation	-	-	VIVACCIO ACT 5DEC	-	Insurance
CNP LBPAM COURT TERME	Full consolidation	-	-	CNP LBPAM COURT TERME	-	Insurance
CNP ASSUR TRESORERIE PLUS	Full consolidation	-	-	CNP ASSUR TRESORERIE PLUS	-	Insurance
OPCVM CAIXA SEGURADORA S.A.	Full consolidation	-	-	OPCVM CAIXA SEGURADORA S.A.	-	Insurance
OPCVM CAIXA CAPITALIZAÇÃO S.A.	Full consolidation	-	-	OPCVM CAIXA CAPITALIZAÇÃO S.A.	-	Insurance
OPCVM CAIXA VIDA & PREVIDÊNCIA S.A.	Full consolidation	-	-	OPCVM CAIXA VIDA & PREVIDÊNCIA S.A.	-	Insurance
OPCVM CAIXA CONSÓRCIOS S.A.	Full consolidation	-	-	OPCVM CAIXA CONSÓRCIOS S.A.	-	Insurance
OPCVM HOLDING CAIXA SEGUROS HOLDING S.A.	Full consolidation	-	-	OPCVM HOLDING CAIXA SEGUROS HOLDING S.A.	-	Insurance
COENTREPRISE DE TRANSPORT D'ELECTRICITÉ	At fair value through profit or loss	-	-	COENTREPRISE DE TRANSPORT D'ELECTRICITÉ	-	Insurance
MONTPARVIE V	Full consolidation	-	-	MONTPARVIE V	-	Insurance
SOGESTOP K	Full consolidation	-	-	SOGESTOP K	-	Insurance
AEW SA	Equity accounted	-	-	AEW SA	-	Asset management
LA BANQUE POSTALE ASSET MANAGEMENT	Full consolidation	LA BANQUE POSTALE AM	-	-	-	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)

(in € millions)	Book values as declared in the published financial statements	Book values within the scope of regulatory consolidation	Book value of the items					
			Subject to credit risk	Subject to CCR	Subject to securitisation	Subject to market risk	Not subject to capital requirements or subject to capital deductions	
Assets								
Cash, central banks	31,973	31,973	31,973	-	-	-	-	-
Financial assets held for trading	185,945	12,692	1,531	876	-	10,274	-	-
Hedging derivatives	1,652	1,652	1	1,651	-	-	-	-
Available-for-sale financial assets	231,822	13,819	13,792	-	41	-	-	-
Loans and advances to credit institutions	76,597	76,984	70,283	4,268	-	-	-	-
Loans and advances to customers	121,597	119,675	107,908	12,209	-	-	-	-
Revaluation differences on portfolios hedged against interest rate risk	264	264	264	-	-	-	-	-
Financial assets held to maturity	25,234	25,094	24,978	-	3	-	-	-
Current tax assets	844	382	382	-	-	-	-	-
Deferred tax assets	321	275	277	-	-	-	-	-
Accruals and other assets	35,412	3,146	3,203	-	-	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-	-
Deferred participation	-	-	-	-	-	-	-	-
Investments in equity-accounted companies	561	11,171	11,125	-	-	-	-	-
Investment properties	3,003	-	-	-	-	-	-	-
Property, plant and equipment	912	731	598	-	-	-	-	-
Intangible assets	2,757	733	-	-	-	-	-	733
Goodwill	161	161	-	-	-	-	-	161
Total assets	719,048	298,742	266,310	19,003	44	10,274	893	
Liabilities and equity								
Central banks	-	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	3,341	1,832	-	-	-	-	-	-
Hedging derivatives	789	770	-	-	-	-	-	-
Liabilities due to credit institutions	36,600	36,549	-	-	-	-	-	-
Customer deposits	222,214	212,249	-	-	-	-	-	-
Debt securities	20,046	20,046	-	-	-	-	-	-
Revaluation differences on portfolios hedged against interest rate risk	851	851	-	-	-	-	-	-
Current tax liabilities	87	4	-	-	-	-	-	-
Deferred tax liabilities	1,133	83	-	-	-	-	-	-
Liabilities related to non-current assets held for sale	-	-	-	-	-	-	-	-
Accruals and other liabilities	23,208	4,303	-	-	-	-	-	-
Insurance company technical provisions and shadow accounting reserves	370,030	-	-	-	-	-	-	-
Provisions	972	372	-	-	-	-	-	-
Subordinated debt	10,888	3,105	-	-	-	-	-	-
NON-CONTROLLING INTERESTS	10,385	74	-	-	-	-	-	-
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	18,509	18,509	-	-	-	-	-	-
Share capital	-	-	-	-	-	-	-	-
Reserves and retained earnings	-	-	-	-	-	-	-	-
Gains and losses recognised directly in equity	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-
Total liabilities and equity	719,048	298,742	-	-	-	-	-	

Loans and advances to credit institutions include exposures on savings centralised with Caisse des Dépôts et Consignations (CDC) amounting to €67.5 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 Breakdown of regulatory own funds

La Banque Postale's Common Equity Tier 1 (CET1) capital includes:

Book equity attributable to owners of the parent (share capital, issue premium, reserves and profit for the year) less the proposed dividend (45% of attributable net profit, excluding the badwill generated by La Poste's transfer of CNP Assurances shares, plus a special dividend) and the applicable regulatory adjustments:

- 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 capital includes the perpetual bond callable after 7 years issued in November 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 book equity and regulatory own funds

(in € thousands)	30 June 2020	31 December 2019
Attributable equity and retained earnings (regulatory)	17,764,922	10,962,583
Dividend plan	(1,432,800)	(351,200)
Deduction of goodwill and other intangible assets	(937,001)	(918,088)
Transition and other adjustments applicable to CET1 capital	(403,612)	(293,546)
Common Equity Tier 1 (CET1)	14,991,509	9,399,749
Eligible ATI capital instruments	750,000	750,000
Additional T1 capital	750,000	750,000
T1 capital	15,741,509	10,149,749
Capital instruments and subordinated loans	2,262,562	2,291,256
Other add-backs	0	0
T2 capital	2,262,562	2,291,256
Overall capital	18,004,070	12,441,005

The increase in CET1 capital in *first-half 2020* was due to the rise in La Banque Postale's equity resulting from (i) La Poste's contribution of CNP Assurances shares and the non-recurring income generated as a result of the related badwill, and (ii) the inclusion of the Group's first-half 2020 results, net of the proposed dividend. These positive impacts were partly offset, however, by the decrease in accumulated OCI (OCI reserves) caused by the effects of the Covid-19 pandemic.

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 along with regulatory settings to apply risk reduction techniques.

RWA had increased by 16.3% at 30 June 2020, or €12 billion, representing growth in exposure of €23.3⁷ billion (an increase of 8.8%).

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, as well as by the increase in La Banque Postale's stake in CNP Assurances.

Credit risk-weighted assets (including exposures in respect of counterparty risk) increased by €11.9 billion (up 18.8%).

Market risk-weighted assets were down by €31 million, or 2.3%.

⁷ Including credit and counterparty risk exposure.

Overview of risk-weighted assets (RWA) (EU OV1)

(in € millions)	RWA		Minimum capital requirements
	30 June 2020	30 June 2019	30 June 2020
Credit risk (excluding CCR)	73,686	61,345	5,895
of which standardised approach	73,671	61,343	5,894
of which internal ratings-based approach (RBA)	-	-	-
of which advanced internal ratings-based approach (AIRB)	-	-	-
of which equities using the IRB approach as part of the simple weighting method or the internal models approach (IMA)	-	-	-
Counterparty credit risk (CCR)	2,037	2,386	163
of which market price method	1,737	2,145	139
of which initial exposure method	-	-	-
of which standardised approach	-	-	-
of which internal models method (IMM)	-	-	-
of which amount of exposure to risk for contributions to the default fund of a central counterparty	8	12	1
of which credit valuation adjustment (CVA)	292	228	23
Settlement risk	-	-	-
Bank portfolio securitisation exposures (after cap)	2,641	2	211
of which IRB approach	-	-	-
of which NI supervisory formula method (SFM)	1	-	0
of which internal ratings-based approach (IRB)	-	-	-
of which standardised approach	2,640	2	211
Market risk	1,366	1,398	109
of which standardised approach	1,366	1,398	109
of which IMA	-	-	-
Major risks	-	-	-
Operational risk	9,504	9,351	760
of which basic indicator approach	-	-	-
of which standardised approach	9,504	9,351	760
of which advanced measurement approach	-	-	-
Amounts below the deduction thresholds (subject to a risk weighting of 250%)	333	255	27
Floor adjustment	-	-	-
Total	86,593	74,479	6,927

Overview of risk-weighted assets by asset class

(in € millions)	30 June 2020		30 June 2019
	Risk-weighted assets	Capital requirements	Risk-weighted assets
Credit risk (excluding counterparty risk)	73,686	5,895	61,345
of which standardised approach	73,686	5,895	61,345
- Central governments and central banks	12	1	17
- Regional governments and local authorities	2,129	170	1,704
- Public sector entities	214	17	149
- Multilateral development banks	-	-	-
- International organisations	-	-	-
- Institutions	11,772	942	10,639
- Corporate	19,642	1,571	18,244
- Retail	10,619	850	10,056
- Secured by mortgages on immovable property	10,864	869	9,271
- Exposures in default	924	74	653
- Items associated with particularly high risk	1,491	119	1,782
- Covered bonds	310	25	303
- Receivables with institutions and corporates with a short-term credit assessment	-	-	-
- Undertakings for collective investment	205	16	319
- Equities	12,848	1,028	5,041
- Other items	2,640	211	3,165
- Securitisations	14	1	2
of which internal model-based approach	-	-	-
Counterparty risk	2,037	163	2,386
- of which standardised approach	1,737	139	2,145
- 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	8	1	12
- including CVA	292	23	228
Market risk	1,366	109	1,398
Operational risk	9,504	760	9,351
TOTAL	86,593	6,927	74,479

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

Non-deducted investments in insurance companies

	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)	11,258
Total RWA	11,458

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

4.2.4 Regulatory framework for capital requirements

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

As a result, from 1 January 2014, La Banque Postale is subject to the prudential regulations inspired by the Basel III agreements defined in directive 2013/36/EU (CRD IV) and regulation (EU) no. 575/2013 of the European Parliament and of the Council (CRR).

In terms of solvency, three levels of own funds 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 capital ratio are calculated:

- the common Tier 1 capital ratio or CET1 ratio;
- the Tier 1 capital ratio or T1 ratio;
- the total capital ratio.

These ratios are calculated by comparing each category of the Group's own funds to the total assets weighted by Group risks. They are subject to a "phased" valuation, i.e., they incorporate the transitional measures provided for in the regulations concerning the recognition of equity instruments issued prior to the effective date of the CRR.

4.2.4.1 Regulatory own funds

Following the Supervisory Review and Evaluation Process (SREP) carried out by the ECB, the ECB notified La Banque Postale of its total SREP capital requirement (TSCR) applicable on a consolidated basis as from 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%);
- Pillar 2 requirement (additional own funds of 2%). In a subsequent decision amending the composition of the additional own funds requirement, the ECB authorised La Banque Postale to meet this requirement via a minimum of 1.125% CET1 and 1.5% Tier 1 capital.

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

- 2.50% for a capital conservation buffer (CCB);
- 0.25% for the buffer for other systemically important institutions;
- 0.0009% for the countercyclical 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 12.7509% (10% plus 2.7509% for the combined buffer requirements).

The above requirements take into account the full release of the countercyclical buffer requirements applicable to exposures in France, with the 0.25% to 0.50% increase in this buffer as from 2 April 2020 therefore cancelled by way of a decision by the French high council for financial stability (*Haut Conseil de Stabilité Financière*). Similarly, the majority of countries that put in place countercyclical buffers have

cancelled them in view of the global coronavirus pandemic. Exceptions include Bulgaria, Luxembourg, Norway and Slovakia.

In line with the various measures taken to tackle the economic downturn resulting from the Covid-19 pandemic, the European regulators decided to relax the capital requirements for financial institutions. The proposed amendments to the CRR, adopted by the European Parliament on 19 June 2020, accelerated the entry into force of certain measures of the CRR II and introduced new provisions, including:

- extension of the transitional arrangements for mitigating the impact on CET1 of the first-time application of IFRS (option not exercised by La Banque Postale);
- temporary exclusion of certain exposures to central banks from the total exposure measure, subject to approval by the institution's competent authority (not requested by La Banque Postale);
- application date for the exemption from deductions of prudently valued software assets from CET1, subject to certain conditions (not applicable at 30 June 2020 due to a lack of the required regulatory technical standards);
- temporary option to remove from the calculation of CET1 unrealised gains and losses on financial instruments measured at fair value through other comprehensive income, corresponding to exposures to central banks or public sector entities (option not exercised by La Banque Postale);
- extension of preferential prudential treatment to non-performing loans guaranteed by Covid government schemes; application date brought forward for the revised SME supporting factor and the new infrastructure supporting factor.

Breakdown of CET1 capital requirements at 2 April 2020

	2 April 2020	30 June 2019
Pillar I requirement	4.50%	4.50%
Pillar II requirement (P2R)	1.125%	1.75%
Capital conservation buffer (CCB) requirement	2.500%	2.50%
Other systemically important institutions buffer requirement	0.250%	0.25%
Countercyclical buffer (CCyB) requirement	-	0.01%
MINIMUM CET1 RATIO REQUIREMENT	8.375%	9.01%

The overall capital requirement amounts to 12.75%, including 1.875% that La Banque Postale can cover by AT1 instruments and 2.5% by Tier 2 instruments.

4.2.4.2 Capital ratio

La Banque Postale's Common Equity Tier One (CET1) capital ratio rose by 5.1% in the first half of 2020. This was attributable to the increase in the Group's equity following La Poste's contribution of CNP Assurances shares together with the impact of the badwill generated by the deconsolidation of the equity-accounted shares in that company (net positive impact of €3.533 billion), and on the other hand, the decrease in OCI reserves in light of the Covid-19 crisis and the increase in RWA resulting notably from La Banque Postale's increased ownership interest in CNP Assurances.

- ▶ The change in own funds in 2020 is presented in Section 4.2.2 "Breakdown of regulatory own funds".
- ▶ The change in RWA in 2020 is presented in the Section 4.2.3 "Summary of risk-weighted assets".

(in € millions)	30 June 2020	31 December 2019
Common Equity Tier 1 capital ratio	17.3%	12.7%
Tier 1 capital ratio	18.2%	13.6%
Capital ratio	20.8%	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 June 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 (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 government order of June 2019.

Throughout the year, La Banque Postale remained within its limit and above the future regulatory level of 3%.

At 30 June 2020:

- ▶ leverage ratio with exclusion of 50% of centralised savings: 5.4%
- ▶ leverage ratio with exclusion of 100% of centralised savings: 6.1%

Summary comparison of accounting assets and the measurement of exposure for leverage ratio purposes

	30 June 2020 (with exclusion of 50% of centralised savings)	30 June 2019 (with delegated act and application of temporary provisions)
(in € millions)		
Total of the IFRS balance sheet according to published financial statements	719,048	262,975
<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>	(420,306)	(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>	1,212	981
<i>Adjustments for securities financing transactions (repurchase transactions and other types of collateralised lending)</i>	3,183	4,675
<i>Adjustments for off-balance sheet items</i>	15,602	14,849
<i>Other adjustments</i>	(25,991)	(28,713)
Exposure to the leverage ratio	292,748	251,982

Breakdown of exposures

(in € millions)	30 June 2020 (with exclusion of 50% of the centralised savings)	30 June 2019 (with delegated act and application of temporary provisions)
Balance sheet item exposure	-	-
- Balance sheet items (excluding derivatives and securities financing transactions)	249,580	221,404
- Assets deducted for the purposes of calculating Tier 1 capital	(1,257)	(1,085)
TOTAL BALANCE SHEET EXPOSURES	248,323	220,319
Derivative exposures	-	-
- Replacement cost associated with all derivatives transactions (net of the eligible cash variation margin)	3,064	2,904
- Add-on amounts for PFE (Potential Future Exposure) associated with all derivatives transactions	1,212	981
- Gross amount including collateral provided on derivatives where deducted from the balance sheet assets pursuant to the applicable accounting basis	(872)	(609)
- Deductions of receivable assets for the cash variation margin provided in derivatives transactions	(480)	(364)
- Adjusted effective notional amount of credit derivatives sold	-	-
- Offsetting of adjusted effective notionals and add-on deductions for credit derivatives sold	-	-
Total derivatives exposures	2,924	2,912
Exposure to securities financing transactions (SFT)	-	-
- Gross SFT assets (without offsetting), after adjusting for transactions recognised as sales	22,716	9,227
- Offset amounts of cash payables and cash receivables of gross SFT assets	-	-
- Counterparty credit risk for SFT assets	3,183	4,675
- Exposure to transactions where the bank operates as an agent	-	-
Total SFT exposures	25,899	13,902
Other off-balance sheet exposures	-	-
- Off-balance sheet exposures at gross notional amount	29,527	28,671
- Adjustments for conversion to credit equivalent amounts	(13,924)	(13,822)
Off-balance sheet items	15,602	14,849
Capital and total exposure	-	-
- Tier 1 capital	15,742	9,463
- Total exposure	292,748	251,982
Leverage ratio	-	-
- Basel III leverage ratio	5.4%	3.8%

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.

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

- medium-term planning of regulatory capital requirements, with a focus on the Group's growth objective and future regulatory changes. This planning exercise, performed once a year, tends to evaluate the Group's financial strength in both a central economic (capital planning) and stressed scenario (annual financial strength stress test);
- assessing 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. The ICAAP is updated half-yearly and transferred to the Capital Management Committee for approval before being reported to the Supervisory Board and its Risk Committee.

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, whose implementation began in 2018, is being monitored closely.

Governance

This planning process is implemented by the Financial Department with the support of the Capital Management Committee, 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;
- 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, 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 Appetite Statement (RAS). 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 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.

4.3 GOVERNANCE AND RISK MANAGEMENT SYSTEM

4.3.1 Organisation, governance and players

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

4.3.1.1 Structure of risk management and lines of defence

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 has three lines of defence that constitute the general 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 primary 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**

The second line of defence consists of the Group Risk Department and the Compliance Department, which are in charge of permanent controls, in accordance with the provisions of the government order of 3 November 2014 on internal control, and ensure that there is an appropriate, uniform framework in place for defining and improving risk management procedures.

➤ **Third line of defence**

The Internal Audit Department acts as the last line of defence by performing periodic controls on all of the Group's entities as well as on the Group Risk Department and the Compliance Department.

La Banque Postale's internal control system thereby includes permanent and periodic controls and is based on rules and procedures set out in:

- ✓ the Risk Organisation Charter established by the Group Risk Department;
- ✓ the Compliance Charter established by the Compliance Department;
- ✓ La Banque Postale Group's Periodic Control Charter drawn up by the Internal Audit Department.

4.3.1.2 The Risk Organisation Charter

The Group Risk Organisation Charter describes the responsibilities, organisation, governance and resources of the risk organisation that are put in place by the Group to ensure compliance with its risk appetite framework.

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

- ✓ the risk management framework they defined in the Risk Appetite Statement is complied with;
- ✓ they are informed of the level of risk assumed by the Group and if any new risks emerge or major incidents occur;
- ✓ the Group's risk management framework is effective.

The Risk Division Charter has been updated in order to incorporate the changes related to the integration of CNP Assurances into La Banque Postale Group on 4 March 2020. The updated version was approved by the Supervisory Board in April 2020.

➤ The risk organisation

The risk organisation defines the Group's risk management framework and submits it to the Executive Board and Supervisory Board for their approval. It ensures that the framework is properly implemented and effective.

The risk organisation covers all the risks incurred by La Banque Postale Group, including all of the entities in the financial conglomerate within the Group's scope of consolidation, in accordance with the applicable national and sector-specific laws and regulations.

The organisation is structured around the Group Risk Department's central functions and the decentralised functions within the Group entities or working on behalf of the Group (the La Poste Network).

➤ Main roles and responsibilities of the risk organisation

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

- ✓ defining and overseeing the implementation of the risk management framework;
- ✓ defining and managing the permanent control system;
- ✓ producing risk reports for external stakeholders.

These main roles and responsibilities are described in detail in the Risk Organisation Charter.

4.3.1.3 The Group's risk governance and oversight bodies

The governance and oversight of the Group's risks are underpinned by a group of committees, which enable it to comply – from the highest levels of responsibility down – with the applicable laws and regulations, and to ensure that all of its risks are managed in a healthy and independent manner.

The role of these committees – which are set out below in the order of their responsibility level – is to:

- report to La Banque Postale's Management, via its management bodies (the Executive Board and the Supervisory Board) on whether risks are being appropriately managed;
- provide the risk organisation with the bodies it requires to manage risks at a more operational level.

- **The Supervisory Board:** The Supervisory Board Risk Committee meets at least once every two months.
- **The Executive Board:** For the purpose of performing its duties, the Executive Board is supported by the Group Risk Management Committee (GRMC), which is the executive body dedicated to overseeing the Group's risks.

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

- The Asset and Liability Management (ALM) Committee, chaired by the Group Chief Financial Officer, with meetings led by the Director of Balance Sheet Management.
 - The Group Capital Management Committee (CMC), chaired by the Chairman of the Executive Board, with meetings led by the Director of Balance Sheet Management.
 - The Internal Control Coordination and Ethics Committee (ICCEC), chaired by the General Secretary, with meetings led by the Head of Compliance.
 - The Information Systems and Major Projects Strategy Committee (ISMPSC), chaired by the Chairman of the Executive Board, with meetings led by the Head of the Solutions business or by the Head of Performance and Change.
- **Group Risk Department:** The risk organisation has set up a number of operational committees tasked with overseeing the Group's risks. The main committees of the centralised risk function (some of which are sub-committees of the GRMC) are presented below.

Credit risk:

- The Group Retail Credit Risk Committee: This committee meets twice a week and oversees risks relating to loans granted by La Banque Postale and any other Group entities that grant loans to private individuals.
- The Executive Board Commitments Committee: This Executive Board committee meets on a weekly basis and takes decisions on (i) lending commitments in excess of €100 million, (ii) non-standard loan terms, and (iii) loans that have been the subject of a disagreement at the highest level of delegated authority.
- The Large Exposures Committee: This GRMC sub-committee meets once a quarter. The Corporate, Public Sector and Institutions Risk Department presents to this committee changes in the credit portfolio and related risk metrics, as well as a summary of the lending decisions taken during the period under review and a status report on the use of lending limits set for the Commercial Banking portfolio.

The risk organisation also has a number of other operational committees for overseeing credit risk, including the Watchlist committee (for legal entities), the loan provisions validation committee, and the disputes committee (for private individuals).

Financial risks

- The Market Risks Committee: This risk organisation committee meets once a month and is tasked with reviewing lending limits, information systems security, market movements, and certain valuation components.

Insurance risk

- The Insurance Risk Committee: This risk organisation committee – whose remit includes the Insurance division entities – is responsible for ensuring that the Group has a uniform risk management framework and a consolidated vision of insurance risks.

Operational risks

- The IT Security Committee: This executive-level committee meets once a quarter and is responsible for approving IT security strategies and monitoring the implementation of the related projects, as well as taking final decisions on any sticking points or bottlenecks.
- The Outsourced Services Risk Approval Committee: This GRMC sub-committee meets at least once a month, and more often when required. Its main responsibilities are to approve risks related to plans to outsource services that expose the Group to critical or major risks, when the outsourced services begin and/or when Cloud-type solutions are used and such approval is required as part of the decision tree used for selecting the Cloud-type solution.
- The Operational Risks Provisions Committee: This risk organisation committee meets with the same frequency as the accounts closing processes. Its primary role is to review operational risks which have been estimated by an independent valuer to represent a unit loss of more than €100,000.

Cross-functional committees

- The Risk Management Rules Validation Committee (RMRVC): This GRMC sub-committee meets once a month, or more often at the request of the Group Risk Department or the business lines' risk departments. Its role is to validate all of the management rules and the standardised and methodological documentation used by the Group Risk Department, the risk organisation entities and the business lines' risk departments in order to manage risks and effectively implement the risk management strategy set by La Banque Postale in its Risk Appetite Statement and Risk Management Operational Policy.
- The Capital Ratio Validation Committee: This risk organisation committee meets once a quarter and is tasked with validating the Group's capital ratio.
- The Model Validation Committee: This GRMC sub-committee meets at the request of its chairman or on the proposal of its secretary. Its role is to carry out permanent controls on the methodology used for all of La Banque Postale's significant models, including for its subsidiaries, in order to effectively manage the risks related to those models.

The risk organisation is also supported by other cross-functional committees, including:

- The Subsidiary Risk Management Committee: Like the meetings of the Group Risk Management Committee, the subsidiaries' risk management departments hold meetings of their own risk management committees prior to the meetings organised by the subsidiaries' governance bodies (Audit and Risks Committee).
- The Risk and Controls Committee: This committee meets at least once every six months and is in charge of overseeing operational risks and validating the entity's operational risk map on an annual basis.
- The Product Review Committee: This committee is led by the Compliance Department. It is responsible for validating product launches further to a review of their functioning, of their appropriateness for the target customers and of any requisite developments such as new sales channels or licence extensions.

4.3.1.4 Reinforcement of the Group's governance and risk management during the Covid-19 crisis

During the Covid-19 crisis, and particularly during the lockdown period, La Banque Postale Group reinforced its governance by holding an Executive Board meeting, daily Executive Committee meetings and three *ad hoc* Supervisory Board Risk Committee meetings in order to be able to rapidly take exceptional measures in short time frames (such as granting repayment holidays for retail customers, granting government-backed loans to SMEs and setting up special loans for professionals, local authorities and public hospitals).

4.3.2 Regulatory framework

La Banque Postale is subject to international and French “prudential” regulations applicable to credit institutions and financial conglomerates.

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

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) which have an impact on the risk management system are presented 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: Capital regulations incorporate the notion of institutions that are “systemically important” for the economy, the aim being to adjust the governance, risk management and control, and minimum capital requirements applicable to those institutions. The Group has been identified as an “other systemically important institution” (O-SII).

➤ **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.

These rules have been substantially revised by CRR II in relation to counterparty credit risk/SA-CCR and market risk, with the new rules coming into force in June 2021. However, the new rules for market risk will only apply as a reporting framework until 2023. The changes related to CRR II include the following:

- Credit risk rules have been adapted for areas such as investments in funds and infrastructure and to take into account the SME supporting factor.
- The thresholds and calculation rules for large exposures will be based on T1 instead of eligible capital.
- The thresholds and calculation rules for the short-term liquidity ratio (LCR) have been amended.
- Information on the NSFR and leverage ratios has to be provided to the regulators in order to calibrate future indicators and associated thresholds. Binding minimum requirements will apply to the NSFR and leverage ratios when the main CRR II measures come into force in June 2021.
- Reports to the competent authorities are required, as well as the publication of information for the markets.

CRR II has also introduced new requirements in terms of environmental, social and governance (ESG) risks. The overall framework is gradually being put in place, including via the following regulations issued by the EU:

- Regulation 2019/2089 relating to the creation of new benchmarks to help achieve more sustainable finance.
- Regulation 2019/2088, which provides for transparency requirements to facilitate sustainable investment.
- Regulation 2020/852 (the Taxonomy Regulation), which establishes the criteria for determining whether an economic activity qualifies as environmentally sustainable.

Other EU framework texts have also been published, which La Banque Postale will comply with, namely:

- Directive 2019/2034 and Regulation 2019/2033 on the prudential requirements for investment firms, which amend the CRD and CRR;
- Directive 2019/2062 and Regulation 2019/2060 (amending the CRR) concerning covered bonds.

➤ **Application of the EMIR regulation (amended by EMIR Refit 2019/834)**

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

➤ **Application of the French government orders of 3 November 2014**

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

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

It is the responsibility of the supervisory body, as provided for 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 government order 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.

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 risk appetite. The powers of the supervisor have been strengthened with respect to the appointment and assessment of the competences of the directors and executives.

In accordance with the regulatory requirements for additional supervision of its financial conglomerate, La Banque Postale Group has reinforced its overall governance and risk management system by setting up an Insurance Strategy Committee. This is a committee of La Banque Postale's Executive Board, whose strategic oversight of matters related to supplementary supervision is carried out by the Conglomerate Committee (see Section 4.7 "Insurance risks and additional supervision of conglomerates").

➤ **Application of the Solvency II and FICOD directives for insurance subsidiaries (including CNP Assurances)**

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

All of La Banque Postale's subsidiaries and affiliates that operate in the insurance sector must meet this sector's regulatory requirements at all times. As head of the financial conglomerate, La Banque Postale is responsible for ensuring that each of its subsidiaries respects all the requirements and, more generally, that risk management procedures as set out in the Group Risk Organisation Charter are consistently applied.

➤ **Measures adapting regulations and procedures due to the Covid-19 health crisis**

In addition to the above-described regulatory framework, a number of measures have been published and/or taken by the supervisory authorities in order to mitigate the impacts of the Covid-19 pandemic. These include, *inter alia*:

- postponing certain reporting deadlines;
- postponing the EBA 2020 stress test exercise to 2021;
- postponing updates to Banque de France contributions;
- postponing dividend payments until at least 31 December 2020;
- providing the possibility of using liquidity and capital buffers;
- lowering the countercyclical buffer to zero;
- setting up government-backed loans, with EU-wide acceptance;
- amending the EBA's RTS on prudent valuation in order to mitigate the negative effects of market volatility on capital requirements.

4.3.3 Risk mapping

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

The Group also has a risk map, which scores all of these risks and enables it to comply with the applicable regulatory requirements (government order of 3 November 2014 on internal control, FICOD, SSM publications etc.) and is also used as a support for the various cross-functional risk management exercises (such as ICAAAP, risk appetite, new product analysis and stress tests).

The risk map sets out and classifies all of the risks to which the conglomerate is exposed and was updated following operation Mandarine to ensure that the Group is appropriately covered in terms of insurance risks. The updated risk map was presented to the Supervisory Board Risk Committee in April 2020.

4.3.4 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.

The Risk Appetite Framework

The Risk Appetite Framework (RAF) comprises all of the documentation used as a basis for drawing up the Risk Appetite Statement and for ensuring its operational implementation and oversight, both at Group level and within the individual subsidiaries.

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

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

- monthly by the Group Risk Management Committee, chaired by the Executive Board; and
- at each meeting of the Supervisory Board Risk Committee.
 - La Banque Postale's intended risk profile is defined by a system of limits (qualitative and quantitative), organised in three levels of setting and monitoring. The overall limits expressed by the RAS and the associated Risk Appetite Dashboard (RAD) make up the first level of limits for the Group.
 - These limits are broken down and rounded out at operational level by way of limits set and monitored by the Executive Board, as described in the Risk Management Operational Policy (second-tier control) and the Risk Management Rules (third-tier control) under the responsibility of the Group Risk Department.
 - The Risk Committee of the Supervisory Board must be informed of the first and second level limits and their monitoring.

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

➤ Major changes in the Group's risk appetite system in first-half 2020

In the first half of 2020, the Group Risk Department continued its work on ensuring the “vertical” consistency of the overall risk management system, based on a Risk Appetite Statement (RAS), which was updated following the integration of CNP Assurances and was approved by the Supervisory Board in June 2020, and the Risk Appetite Dashboard (RAD).

The major changes related to the Group's risk appetite during first-half 2020 included:

- the systematic incorporation of risks classified as “critical” and “major” in the Group's risk map, and, where necessary, inclusion of a dedicated indicator in the RAS;
- the introduction of new indicators for insurance risks and setting up a learning phase for indicators related to CNP Assurances entities;

Following operation Mandarine, an update to the Risk Management Operational Policy (RMOP), which is being used for the operational implementation of the 2020 RAS.

In addition to the RMOP, La Banque Postale also has an RMOP Dashboard, which allows the Group Risk Management Committee to monitor, on a monthly and consolidated basis, that RMOP limits are respected, and Risk Management Rules approved by the Head of Group Risks that enable the RMOP to be implemented at an operational level.

4.3.5 Risk monitoring, assessment and control systems

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

- The identification of risks involves determining risk factors, i.e., explanations of sources of potential or known loss that the Group might incur (insolvency of borrowers, fraudulent behaviour, volatility of market prices, macro-economic deterioration, changes to the legal and regulatory framework, etc.). Identification is based on a risk taxonomy that sets out the risks to which the Group is exposed and a risk map which scores all of those risks. The risk map also provides a consolidated view of internal and external risk factors that the Group is facing or could face.
- Risk assessment involves the preparation of methodologies to assess 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 implementing risk management procedures, processes and tools (such as the rules for accepting risks) within the Group risk organisation.
- Risk monitoring consists of ensuring that the risk management framework is properly implemented and assessing its effectiveness, as well as measuring changes in the Group's risk profile compared to the level of risk appetite expressed, notably through a system of limits. It also entails informing or warning the proper bodies to enable them to make the necessary decisions (acceptance, correction, etc.).

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

- cross-entity: 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.

4.3.5.1 Cross-entity risk management systems

➤ Standards and methods

In order to ensure consistency in decision-making, measurement, management and monitoring, the concepts and standards that apply to all Group entities and business activities, particularly those relating to prudential regulation, are defined by the Group Risk Department and validated by the Risk Management Rules Validation Committee (CVRGR). The Group Risk Department is responsible for communicating these rules and ensuring that they are properly implemented in the Group's operations.

➤ 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. The Group's models are approved by the Model Validation Committee.

➤ Prudential production steering and control system of the Group Risk Department

In order to provide information to the various bodies responsible for managing and overseeing the Group and to enable them to track its risk profile, compliance with risk appetite and with prudential "risks" reporting requirements to the competent authorities (COREP, Large Exposures, International Liabilities, LCR, NSFR, ALMM, STE), the Group Risk Department centralises the resources and tools used for creating, analysing and preparing risk monitoring reports (particularly concerning global and operational limits) and communicating these reports to the Supervisory Board Risk Committee, the Group Risk Management Committee, the Prudential Production Validation Committee and all of the committees in charge of monitoring risks by nature or by business.

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

The Group Risk Department's prudential production steering and control system has helped improve the Group's regulatory compliance in terms of the quality of its regulatory reporting.

4.3.5.2 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/TF, 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 help define and evaluate the following over time:

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

The stress test system covers two major categories of work:

- ✓ Macro/global stress tests. At this stage, these tests mainly address the issue of La Banque Postale's solvency. The types of tests, methods and performance terms and conditions used in these internal and regulatory tests are similar to those drawn up recently for the banking industry, notably the EBA stress tests.
- ✓ Specific and additional stress tests appropriate to each business activity/subsidiary (notably, 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.
- 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 work.

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

4.3.5.3 Credit risk systems

The Retail Credit Risk and Corporate Credit Risk 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:

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

These two departments have regional teams.

The description of the credit risk management system is provided in Section 4.4 "Credit and counterparty risk" below.

4.3.5.4 Financial risk 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 La Banque Postale's results or balance sheet. They include pricing risk, interest rate risk, credit spread risk, equities risk, foreign exchange risk, volatility risk, inflation risk and basis risk.
- Balance sheet risk, which reflects the impact of financial risks on the scope of the bank portfolio. It includes liquidity risk and overall interest rate risk.

Financial risks cover the risks resulting from changes in the financial markets. La Banque Postale is notably sensitive to changes in the rate and debt markets. Changes in these two can impact the 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 Section 4.5 "Financial risks" below.

4.3.5.5 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. 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 government order of 3 November 2014), the main responsibilities of the Operational Risk Department are:

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

The organisational framework set up within the Group for managing operational risk is based on the principles defined in the Risk Management Policy and the Group Risk Organisation Charter.

The organisation of operational risk management is structured around the following players:

- members of the Group Risk Department:
 - the 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 Territory 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 and Ezyess);
- players external to the Group Risk Department, Heads of Risk in the non-banking subsidiaries (La Banque Postale Asset Management and the Insurance division) and the Head of Operational Risk Management of the La Poste Network;
- A total of 165.5 FTE employees made up this organisation at end-December 2019 (excluding CNP Assurances).

Operational risk management for CNP Assurances is covered by a dedicated policy that is validated annually by the Board of Directors and rolled out to each of the Group's subsidiaries. This policy describes the governance, methods and processes applicable to managing operational risks.

The Group's operational risk management system is based on the principle of empowering businesses to identify, assess, manage and monitor their risks.

The management framework for operational risk is set by the Operational Risk 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 organisation.

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 at least annually and that they are classified based on a dual probability/impact matrix in order to determine their criticality (low, moderate, major or critical). The Supervisory Board Risk Committee approves the impact measurement thresholds and the frequency of critical and major risks for La Banque Postale Group.

Following the integration of CNP Assurances, 2020 has been classified as a transition period during which work is being conducted to define the operational procedures for deploying La Banque Postale's operational risk management system within CNP Assurances.

The initial work carried out during this period concerns the following:

- drawing up a consolidated map of the Group's operational risks, taking into account CNP Assurances;
- sharing CNP Assurances' operational risk monitoring indicators within the Group's GRMC dashboard, which will initially be used only for tracking purposes without setting any thresholds or limits;
- gradually putting in place a process for reporting information to the La Banque Postale Group Risk Department, including individual operating incidents involving losses estimated at over €100,000, collecting data on losses relating to operating risks for integration into the Group's consolidated regulatory reporting.

Work will also be carried out in 2020 on converging the tools and methodologies used to monitor and oversee operational risks in terms of risk assessment and reporting.

The description of the operational risk management system is provided in Section 4.6 "Operational risks" below.

4.3.5.6 Non-compliance risk system

The description of the risk management system is provided in Section 4.8 "Other risks" – 4.8.2 "Non-compliance risk" below.

4.3.5.7 Insurance risk system

The Insurance Risk Management Policy is rolled down based on the legal and regulatory framework implemented by the “Solvency II” and “FICOD” directives, as transposed into French law. This Policy sets out the strategies, principles and processes making it possible to identify, measure, manage and monitor risks to which the insurance activities of La Banque Postale Group are exposed, including those entrusted to its partners from the insurance sector.

The insurance risk system is described in further detail in Section 4.7.1.1 “Classification of insurance risks”.

4.3.5.8 Risk control system

The Permanent Control Department has reported to the Group Risk Department since January 2018. It is in charge of carrying out second-tier 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-tier 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 Head of Group Risks the sensitive processes subject to a second-tier control, independently of the operational teams;
- monitors the action plans implemented to hedge risks identified by the second-tier internal control bodies.

It also contributes to first-tier controls, notably by providing tools for formally documenting controls and by communicating risk and control indicators defined in close collaboration with the other units of the Group Risk Department.

In order to fulfil its role of leading second-tier controls and contributing to first-tier controls, the Permanent Control Department:

- provides the banking controllers and their managers with the tools they need to carry out their control duties relating to La Banque Postale’s distribution networks (post offices, La Banque Postale Chez Soi agencies and business centres), including control plans, control questionnaires and tools for consolidating results using aggregates based on each level of managerial responsibility;
- draws up general control guidelines for application by all of the Group’s subsidiaries concerned;
- is in charge of the administration and maintenance of La Banque Postale’s control tool (COPIN) for first- and second-tier controls;
- can, on request, (i) perform targeting and remote controls via indicators and (ii) provide the business lines with first-tier control indicators in collaboration with the Group Risk Department;
- communicates to the subsidiaries and head office departments requirements relating to the organisation and methods to be implemented in order to harmonise the permanent control tools;
- draws up the control reports required for meetings held by the Group’s Risk and Control bodies – notably the risk and control committees and the Group Risk Management Committee – as well as for regulators and supervisory authorities.

In 2019, all of the control functions of La Banque Postale's business line risk departments reported to the Group Risk Department. The business lines' second-tier control bodies report on an operating basis to the Permanent Control Department.

The Head of Permanent Control reports directly to the Group Risk Department. He does not also hold the position of risk manager or periodic control manager and is not responsible for compliance. He has full powers to exercise the functional and hierarchical supervision of the Permanent Control organisation. His responsibilities particularly involve managing careers in a manner consistent with the requirements of each organisation.

Two Deputy Heads of Permanent Control are responsible for managing the two main units:

- ▶ One who is in charge of overseeing controls in the distribution networks and is responsible for the hierarchical management of the Banking Controllers function, through the Territorial Heads of Control. They are responsible for the banking controls carried out within the networks (retail and legal entities) and supervises the Banking Controllers function.
- ▶ One who is in charge of managing the Permanent Control Department's independent specialised controllers (Credit, Financial Security, Financial Markets, Financial Risks, Regulatory Production, Operational Risk Management). This Deputy Head of Permanent Control is also in charge of managing the support units of the various control bodies within the entities and subsidiaries, including:
 - the Data Exploitation unit (preparing control samples, creating and updating risk and control indicators and credit scoring tools, etc.),
 - the Control Tools unit, which is in charge of the administration of control tools.

The Design, Steering and Reporting unit of the Permanent Control Department, the head of which reports directly to the Head of Permanent Control, is in charge of the operational management of permanent controls, which involves implementing a uniform and efficient control system for the Group as a whole.

The Permanent Control Department carries out an operational oversight role with respect to all of the players within the Group that perform second-tier permanent controls, namely:

- the Financial Centre and Remote Banking internal controllers (in coordination with the Operational Risk Management Department of the La Poste Network and the Operations Department, the head of which reports hierarchically to the Deputy Head of Group Risks);
- the controllers in the Bank and Network IT department (BNIT), who work in coordination with the BNIT's risk management unit;
- the controllers at La Banque Postale's head office, who work in coordination with the entities' risk management units: the Corporate and Regional Development Department, the Corporate and Investment Bank, the Finance Department, the Payments Department, the Human Resources Department, the Retail Banking Department, and the Digital Department;
- the subsidiaries' controllers.

The controllers and risk managers within the banking subsidiaries report to the heads of the entities' risk management departments, who in turn report hierarchically to the Deputy Head of Group Risks.

In addition, in accordance with the applicable banking regulations and EBA guidance, La Banque Postale's Permanent Control Department organises second-tier controls for the Group's Critical and Important services. An annual second-tier control campaign for outsourced essential business is carried out by the subsidiaries' various control bodies and the risk management departments of the entities that form part of La Banque Postale's head office (for those concerned). The Permanent Control Department consolidates the results of these second-tier controls in coordination with the Operational Risk Department, which is in charge of annually updating the list of Outsourced Essential Services and Critical and Important Services.

Through this permanent control system, La Banque Postale ensures that its controls are consistent across all of the Group's activities, which allows it to have a formal control plan that includes all control programmes in

a single document: Distribution Networks, 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 the retail banking and business segment in accordance with the government order 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 capital 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 procedures, the Risk Management Operational Policy (RMOP) and the Risk Organisation Charter are implemented via operational rules for managing product risks by business activity/customer category or by business line counterparty. The risk management rules by type of product and customer take into consideration developments in La Banque Postale's business. These rules are approved by the Risk Management Rules Validation Committee (CVRGR).

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 government order 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 organisation has been fully deployed at the regional level, and has region-specific dashboards to monitor and manage risks by staying close to the field. These dashboards are also used at the centralised level and contribute to seamless interaction between the centralised and regional functions of the risk organisation.

Internal rating models are taken into account in the approval and delegation processes as well as in everyday loan management, which has further strengthened the management of retail customer risks.

4.4.2 Quantitative credit risk information

4.4.2.1 Retail customer credit risk

In terms of financing to individuals, the activities conducted by La Banque Postale Group that give rise to a credit risk include:

- real estate loans to individuals and to high-net-worth Limited Property Investment Partnerships (SCIs) (La Banque Postale and its subsidiaries 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 eurozone countries (“whole loan transactions”).

The retail customer credit business activity is highly concentrated in France (approximately 98.6% of outstandings).

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.

Regarding the management of inherent risk, the Group Risk Department is responsible for the recovery rules, working with the Legal Department, the Operations Department and the departments governing provisions for accounts receivable in liaison with the Accounts Department.

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.

To support deployment of the risk organisation, the La Banque Postale Financement, BPE and SOFIAP Heads of Risk now report to the Head of Group Risk.

4.4.2.2 Legal entity credit risk

La Banque Postale carries out two types of credit activities in relation to legal entities:

- 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 subsidiary (La Banque Postale Leasing et Factoring – LBP LF) serves the following customer segments: Corporate, Professionals, the Local Public Sector (local authorities, public health institutions, social landlords), Associations, and Large Clients;
- as part of its Corporate and Investment Bank activities, La Banque Postale manages and participates in asset and project financing transactions as well as private placements. In the financial markets, La Banque Postale manages the following financial instruments: debt securities, undertakings for collective investment, securitisation funds, derivatives (swaps, cap/floors, options, forex, futures, credit derivatives and foreign exchange derivatives), securities repurchase/reverse repurchase transactions, total return swaps and 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 determining a specific financial score for each segment.

The aim of the risk management system used for Commercial Banking loans is to detect risks at every level in each operational process (granting of loans, loan management, recovery and provisioning). It is based on the following elements:

- 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 Operational Policies, approved by the Executive Board via the Group Risk Management Committee;
- Risk Management Rules approved 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 restrict 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 to be a single beneficiary.

La Banque Postale's investment policy for Sovereigns, 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 approved by the Executive Board.

Before it can carry out repurchases or forward financial instruments with financial institutions other than the Housing Financing Companies (SFH) or Mortgage Credit Companies (SCF) exposing it to a counterparty risk, La Banque Postale must first ensure that there is an ISDA or FBF framework agreement with clauses concerning collateral. The quantitative aspects entered into in such agreements (instruments concerned, threshold and frequency of margin calls, exemptions, etc.) are subject to approval by the Group Risk Department.

The individual limits are supplemented with a set of limits aimed at containing the risk of concentration on groups of counterparties classified according to their geographic area, business segment, type of activity and internal rating.

The 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

4.4.3.2 Breakdown of exposures in default

Credit quality of exposures by exposure categories and instrument

	Gross book values		Specific credit risk adjustments	General credit risk adjustments	Total balance sheet withdrawals	Allowances for credit risk adjustments over the period	Net value
	Exposures in default	Exposures not in default					a+b+c-d
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>	-	-	-	-	-	-	-
<i>SME</i>	-	-	-	-	-	-	-
<i>Non-SME</i>	-	-	-	-	-	-	-
<i>Eligible renewable exposures</i>	-	-	-	-	-	-	-
<i>Other - retail customers</i>	-	-	-	-	-	-	-
<i>SME</i>	-	-	-	-	-	-	-
<i>Non-SME</i>	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-
Total IRB approach	-	-	-	-	-	-	-
Central governments and central banks	-	130,461	2	-	-	(1)	130,460
Regional governments and local authorities	-	9,505	-	-	-	-	9,505
Public sector entities	-	1,221	1	-	-	0	1,221
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	2	-	-	-	-	2
Institutions	-	14,212	3	-	-	0	14,209
Corporate	-	30,192	159	-	0	65	30,034
<i>Of which: SME</i>	-	-	-	-	-	-	-
Retail customers	-	59,973	276	-	7	49	59,697
<i>Of which: SME</i>	-	-	-	-	-	-	-
Exposures secured by mortgages on real estate	-	26,103	-	-	-	-	26,103

<i>Of which: SME</i>	-	-	-	-	-	-	-
Exposures in default	1,790	-	608	-	22	86	1,182
Items associated with a particularly high risk	-	1,077	-	-	-	-	1,077
Covered bonds	-	3,109	-	-	-	-	3,109
Receivables from institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	-	224	-	-	-	-	224
Equities exposure	-	12,242	0	-	-	0	12,242
Other exposures	-	3,592	0	-	-	0	3,592
Total standardised approach	1,790	291,915	1,048	-	29	198	292,657
Total	1,790	291,915	1,048	-	29	198	292,657
Of which: Loans	-	-	-	-	-	-	-
Of which: Debt securities outstanding	-	-	-	-	-	-	-
Of which: Off-balance sheet exposures	-	-	-	-	-	-	-

Unlike the previous tables presented, the data shown in the table above do not include the Basel substitution effects in the classification of exposures and thus allow the exposures in default post-provisioning to be visualised.

Credit quality of loans and advances by business sector

(in € millions)	Gross carrying amount				Cumulative impairment	Cumulative negative changes in fair value due to credit risk on non-performing exposures
		Non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Private individuals	-	-	-	-	-	-
Holding activities	17,705	182	182	182	189	-
Public and related authorities	26,335	23	23	23	2	-
Aerospace and defence	115	0	0	0	0	-
Agriculture	811	11	11	11	12	-
Food and beverages	212	2	2	2	2	-
Insurance	772	-	-	-	2	-
Automotive	1,131	14	14	14	4	-
Other industries	597	18	18	18	11	-
Other services	4,736	5	5	5	16	-
Other financial services	2,578	0	0	0	1	-
Fast-moving consumer goods (non-food)	153	6	6	6	3	-
Construction and public works/Construction materials	533	1	1	1	5	-
Chemistry	83	0	0	0	0	-
Cosmetics, personal care and other household products	43	0	0	0	0	-
Distribution	401	27	27	27	11	-
Energy	15	-	-	-	0	-
Real estate	16	0	0	0	0	-
Infrastructure	171	0	0	0	5	-
IT & Technology	204	0	0	0	0	-
Luxury	-	-	-	-	-	-
Media and communication	56	0	0	0	0	-
Pharmacy	1	-	-	-	0	-
Commodities	125	1	1	1	1	-
Healthcare, community and education	342	36	36	36	10	-
Telecommunications	206	0	0	0	0	-
Tourism, hotels, restaurants, leisure	15	14	14	14	12	-
Transport and Logistics	587	0	0	0	0	-
Utilities	270	0	0	0	0	-
Not allocated	1,678	86	86	86	20	-
TOTAL	59,890	427	427	427	306	-

Unlike the other table shown above, the scope of information presented is specific to non-financial sector companies only.

Quality of non-performing exposures by region

(in € millions)	Gross carrying amount/nominal amount				Cumulative impairment	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		Of which subject to impairment			
			Of which defaulted				
Balance sheet exposures	265,848	1,686	1,686	1,686	(995)	0	0
Eurozone	261,344	1,676	1,676	1,676	(969)	0	0
France	244,796	1,671	1,671	1,671	(942)	0	0
Germany	3,070	0	0	0	(6)	0	0
Other	13,477	5	5	5	(21)	0	0
Americas	3,411	0	0	0	(1)	0	0
United States	2,248	0	0	0	(1)	0	0
Canada	1,162	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Asia	226	0	0	0	(1)	0	0
Japan	100	0	0	0	(1)	0	0
Other	126	0	0	0	0	0	0
Other geographical regions	868	10	10	10	(24)	0	0
Off-balance sheet exposures	26,808	103	103	103	0	(53)	0
Eurozone	26,248	103	103	103	0	(53)	0
France	25,692	87	87	87	0	(53)	0
Germany	46	0	0	0	0	0	0
Other	509	17	17	17	0	(1)	0
Americas	555	0	0	0	0	0	0
United States	555	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	292,657	1,790	1,790	1,790	(995)	(53)	0

Unlike the previous tables presented, the data shown in the table above do not include the Basel substitution effects in the classification of exposures and thus allow the exposures in default post-provisioning to be visualised.

4.4.4 Credit risk-weighted assets

Standardised approach

Exposure categories (in € millions)	Weighting															Total	Not rated	
	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Other			Deducted
Central governments and central banks	135,330	-	-	-	47	-	-	-	-	3	-	-	-	-	-	-	135,379	-
Regional governments and local authorities	-	-	-	-	10,717	-	-	-	-	0	-	-	-	-	-	-	10,717	-
Public sector entities	-	-	-	-	919	-	38	-	-	12	-	-	-	-	-	-	969	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	-
Institutions	72	366	-	-	39,207	-	7,787	-	-	75	-	-	-	-	-	-	47,508	-
Corporate	-	-	-	-	2,366	-	8,515	-	-	13,569	1,018	-	-	-	-	-	25,468	-
Retail customers	-	-	-	-	-	-	-	-	14,481	-	-	-	-	-	-	-	14,481	-
Exposures secured by mortgages on real estate	-	-	-	-	-	21,295	3,477	-	-	1,827	-	-	-	-	-	-	26,599	-
Exposures in default	-	-	-	-	-	-	-	-	-	529	264	-	-	-	-	-	792	-
Exposures associated with a particularly high risk	-	-	-	-	-	-	19	-	-	-	988	-	-	-	-	-	1,007	-
Covered bonds	-	-	-	3,102	-	-	-	-	-	-	-	-	-	-	-	-	3,102	-
Institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	-	-	-	-	-	-	-	-	-	205	-	-	-	-	-	-	205	-
Equities	-	-	-	-	-	-	-	-	-	11,824	-	410	-	-	-	-	12,234	-
Other items	952	-	-	-	-	-	-	-	-	2,640	-	-	-	-	-	-	3,592	-
Total	136,355	366	-	3,102	53,255	21,295	19,837	-	14,481	30,683	2,270	410	-	-	-	-	282,055	-

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 changes in fair value due to credit risk and provisions		Sureties and financial guarantees received for the renegotiated exposures	
	Renegotiated performing	Renegotiated non-performing		On renegotiated performing exposures	On renegotiated non-performing exposures		Of which sureties and financial guarantees received for renegotiated non-performing exposures	
		Of which defaulted	Of which amortised					
Loans and advances	107.03	352.34	318.01	318.01	(1.32)	(169.24)	138.60	73.53
<i>Central banks</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Public authorities</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Credit institutions</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Other finance companies</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Non-financial sector companies</i>	31.49	50.29	50.29	50.29	(0.14)	(27.81)	51.46	20.96
<i>Households</i>	75.53	302.06	302.06	302.06	(1.18)	(141.43)	87.14	68.68
Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan commitments given	0.95	0.00	0.00	0.00	0.01	0.00	0.00	0.00
TOTAL	107.97	352.35	318.01	318.01	(1.32)	(169.24)	138.60	73.53

Credit quality of performing and non-performing exposures by days past due

(in € millions)	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
	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	194,120.77	193,863.20	257.57	1,617.41	900.26	165.07	159.45	133.68	164.39	43.38	51.18	1,617.41
<i>Central banks</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Public authorities</i>	77,682.48	77,673.33	9.16	24.65	23.09	0.00	0.77	0.00	0.79	0.00	0.00	24.65
<i>Credit institutions</i>	7,455.53	7,454.69	0.85	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Other finance companies</i>	10,392.03	10,391.09	0.94	0.15	0.14	0.01	0.00	0.00	0.00	0.00	0.00	0.15
<i>Non-financial sector companies</i>	27,150.72	27,026.39	124.33	423.64	324.68	43.61	19.85	11.01	17.45	1.81	5.23	423.64
<i>Of which SMEs</i>	5,782.41	5,754.60	27.81	73.73	49.68	12.03	6.63	3.60	1.45	0.03	0.31	73.73
<i>Households</i>	71,440.02	71,317.71	122.31	1,168.96	552.34	121.45	138.84	122.66	146.15	41.57	45.95	1,168.96
Debt securities outstanding	39,288.89	39,288.89	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Central banks</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Public authorities</i>	25,393.96	25,393.96	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Credit institutions</i>	10,891.47	10,891.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Other finance companies</i>	1,782.71	1,782.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Non-financial sector companies</i>	1,220.75	1,220.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Off-balance sheet exposures	65,443.82			38.40								38.40
<i>Central banks</i>	9,002.02			0.00								0.00
<i>Public authorities</i>	7,013.65			0.00								0.00
<i>Credit institutions</i>	25,573.42			0.00								0.00
<i>Other finance companies</i>	5,408.14			0.00								0.00
<i>Non-financial sector companies</i>	7,497.27			3.81								3.81
<i>Households</i>	10,949.32			34.58								34.58
Total	298,853.49	233,152.10	257.57	1,655.81	900.26	165.07	159.45	133.68	164.39	43.38	51.18	1,655.81

(in € millions)	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Total partial balance sheet withdrawals	Sureties and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				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			
Loans and advances	194,120.77	189,214.83	4,905.94	1,617.41	0.00	1,617.41	(330.57)	(131.94)	(198.62)	(643.87)	0.00	(643.87)	(6.90)	63,135.12	483.47
<i>Central banks</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Public authorities</i>	77,682.48	77,681.98	0.50	24.65	0.00	24.65	(0.98)	(0.98)	0.00	(0.26)	0.00	(0.26)	0.00	254.95	0.00
<i>Credit institutions</i>	7,455.53	7,437.91	17.63	0.00	0.00	0.00	(0.73)	(0.71)	(0.01)	0.00	0.00	0.00	0.00	0.00	0.00
<i>Other finance companies</i>	10,392.03	10,307.32	84.71	0.15	0.00	0.15	(6.33)	(3.87)	(2.46)	(0.08)	0.00	(0.08)	0.00	69.18	0.00
<i>Non-financial sector companies</i>	27,150.72	25,622.65	1,528.07	423.64	0.00	423.64	(129.72)	(55.09)	(74.63)	(174.58)	0.00	(174.58)	(1.12)	11,197.43	57.69
<i>Of which SMEs</i>	5,782.41	5,441.63	340.78	73.73	0.00	73.73	(44.63)	(20.74)	(23.89)	(48.12)	0.00	(48.12)	0.00	3,070.10	8.45
<i>Households</i>	71,440.02	68,164.98	3,275.04	1,168.96	0.00	1,168.96	(192.82)	(71.29)	(121.53)	(468.94)	0.00	(468.94)	(5.78)	51,613.56	425.78
Debt securities outstanding	39,288.89	38,070.58	512.47	0.00	0.00	0.00	(20.53)	(4.90)	(15.63)	0.00	0.00	0.00	0.00	0.00	0.00
<i>Central banks</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Public authorities</i>	25,393.96	25,393.96	0.00	0.00	0.00	0.00	(1.04)	(1.04)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Credit institutions</i>	10,891.47	10,793.87	97.60	0.00	0.00	0.00	(1.89)	(1.57)	(0.32)	0.00	0.00	0.00	0.00	0.00	0.00
<i>Other finance companies</i>	1,782.71	1,782.71	0.00	0.00	0.00	0.00	(0.96)	(0.96)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<i>Non-financial sector companies</i>	1,220.75	805.88	414.87	0.00	0.00	0.00	(16.64)	(1.33)	(15.31)	0.00	0.00	0.00	0.00	0.00	0.00
Off-balance sheet exposures	65,443.82	64,669.93	773.89	38.40	0.00	38.40	51.55	34.11	17.44	1.54	0.00	1.54		0.00	0.00
<i>Central banks</i>	9,002.02	9,002.02	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00
<i>Public authorities</i>	7,013.65	7,013.65	0.00	0.00	0.00	0.00	0.83	0.83	0.00	0.00	0.00	0.00		0.00	0.00
<i>Credit institutions</i>	25,573.42	25,566.02	7.40	0.00	0.00	0.00	0.18	0.16	0.02	0.00	0.00	0.00		0.00	0.00
<i>Other finance companies</i>	5,408.14	5,398.15	9.99	0.00	0.00	0.00	0.60	0.56	0.04	0.00	0.00	0.00		0.00	0.00
<i>Non-financial sector companies</i>	7,497.27	6,949.26	548.01	3.81	0.00	3.81	14.15	7.10	7.06	0.29	0.00	0.29		0.00	0.00
<i>Households</i>	10,949.32	10,740.84	208.48	34.58	0.00	34.58	35.78	25.46	10.32	1.24	0.00	1.24		0.00	0.00
Total	298,853.49	291,955.35	6,192.31	1,655.81	0.00	1,655.81	(299.55)	(102.74)	(196.81)	(642.33)	0.00	(642.33)	(6.90)	63,135.12	483.47

The data shown in the tables above differ from the other tables, as the methodology applied is based in book values as reported in the published financial statements (FINREP). The other tables are based on the book values as declared in the prudential consolidation scope.

Change in the balance of adjustments for general and specific credit risks

	Cumulative amount of adjustments for specific credit risk	Cumulative amount of adjustments for general credit risk
Initial balance	843	-
Increases due to amounts provisioned for probable losses on loans during the period	378	-
Decreases due to amounts reversed for probable losses on loans during the period	(172)	-
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	1,048	0

The data presented in the table above correspond to a prudential view of the Expected Credit Losses (ECL) calculated by the Group Risk Department in accordance with IFRS 9.

4.4.6 Information about exposures subject to legislative and non-legislative repayment holidays, and newly created exposures subject to governmental guarantee schemes

In March 2020, the WHO declared that the Covid-19 epidemic had become a pandemic. The French government responded immediately through the introduction of stricter public health measures, including a lockdown, closing non-essential public places and cancelling all cultural and sporting events. These measures had serious consequences for the economy, placing many businesses in a precarious cash position.

In light of these circumstances, La Banque Postale mobilised its resources together with the government to support its customers experiencing financial hardship. Several practical initiatives were organised around exceptional government measures to support businesses, including:

- loan repayment holidays of up to six months and waiver of late payment penalties and incidental charges;
- distribution of government-backed loans.

4.4.6.1 Repayment holidays

La Banque Postale offered support to its retail banking and business and professional customers who were experiencing financial hardship due to the lockdown, the total or partial suspension of their business, short-time working or furlough schemes.

This support took various forms including repayment holidays of up to six months:

- at the customer's request; or
- at the La Banque Postale's initiative, in the case of specifically targeted vulnerable customers.

Specific system for retail customers

Repayment holidays granted to retail customers concerned home loans and consumer credit.

For consumer credit, the repayment holidays were mainly set up at the customer's request under a contractual agreement.

For home loans, repayment holidays were granted at the customer's request or at La Banque Postale's initiative, depending on whether or not the customer's revenues had been affected as a result of the crisis (based on their socio-economic category).

The system was particularly intended for vulnerable customers whose situation was likely to worsen or whose revenues were likely to be directly affected by the deteriorating economic conditions (for example, traders, craftspeople and self-employed workers).

The repayment holidays were granted for periods of two to six months (depending on the target customer and the La Banque Postale entity concerned), with principal and interest payments suspended during that time but insurance premiums maintained. The suspended payments have been deferred to the end of the loan.

At 30 June 2020, La Banque Postale had granted non-contractual repayment holidays on loans representing total outstanding principal of €2,043.4 million.

Specific system for businesses

For its corporate and professional customers, La Banque Postale set up a system in line with the practices of the French banking industry.

For markets and products representing high volumes but modest amounts (such as professionals, SMEs, equipment leases, etc.), repayments of all monthly instalments were deferred unilaterally by La Banque Postale for six months (except if the customer stated they did not want the repayment holiday), resulting in a six-month extension of the loan term without any change in the nominal interest rate. In some cases, the interest accruing during the repayment holiday was also waived by La Banque Postale.

For major and/or structured loans (key accounts, real estate, BFI customers, etc.), repayment holiday requests were handled on a case-by-case basis. The compulsory criteria applied for each repayment holiday were that the term had to be six months or less and the accrued interest was not waived.

Counterparties rated as B2 and B3 prior to the crisis were examined on a case-by-case basis and validated by the Special Affairs Department.

At 30 June 2020, La Banque Postale had granted repayment holidays corresponding to €250 million in suspended repayments on loans representing €2,743 million in exposure, including €205 million for professional customers and €2,538 million for corporate customers.

These repayment holidays covered all business sectors, in proportion to each sector's weighting in La Banque Postale's Commercial Banking loan book.

To date, no repayment holiday lasting more than six months has been granted to any business in the Commercial Banking portfolio. However, longer repayment holidays may subsequently be granted for some specific business sectors, such as the tourism industry.

Information on loans and advances subject to legislative and non-legislative repayment holidays

	Gross carrying amount						Accumulated impairment and accumulated negative changes in fair value due to credit risk						Gross carrying amount		
	Performing			Non-performing			Performing			Non-performing			Reclassification as non-performing exposures		
	Of which: Exposures with a forbearance measure	Of which: Instruments whose credit risk has increased significantly since their initial recognition but which have not been altered by the credit (phase 2)		Of which: Exposures with a forbearance measure	Of which: Low probability of payment not being overdue or being less than 90 days overdue		Of which: Exposures with a forbearance measure	Of which: Instruments whose credit risk has increased significantly since their initial recognition but which have not been altered by the credit (phase 2)		Of which: Exposures with a forbearance measure	Of which: Low probability of payment not being overdue or being less than 90 days overdue				
Loans and advances subject to repayment holidays	4,786,748,457	4,693,991,552	1,053,104	1,550,765,307	92,756,905	19,338,038	33,653,288	80,039,381	46,629,381	13,239	37,831,358	33,410,000	6,638,588	6,683,679	17,880,475
Of which: Households	2,043,392,817	2,006,251,277	1,053,104	1,284,157,749	37,141,540	4,945,381	33,653,288	26,622,532	18,729,898	13,239	18,520,859	7,892,634	1,743,111	6,683,679	11,868,212
<i>Of which: Secured by residential property assets</i>	2,033,990,019	1,998,048,069	1,002,889	1,275,954,542	35,941,950	4,711,698	32,685,514	25,479,621	18,242,897	11,151	18,033,857	7,236,724	1,588,789	6,158,857	11,489,753
Of which non-financial sector companies	2,537,988,580	2,485,229,320		259,691,854	52,759,260	14,115,903		48,447,426	24,770,184		18,653,324	23,677,242	4,774,216		5,113,334
<i>Of which: SMEs and ISEs</i>	925,085,724	908,403,359		79,465,955	16,682,365	5,327,610		16,026,362	10,396,020		33,521	5,630,342	3,365,316		2,707,357
<i>Of which: Secured by commercial property assets</i>	912,545,578	878,874,661		101,985,879	33,670,917	5,327,610		28,736,148	12,216,148		10,622,888	16,520,000	900,000		-

Breakdown of loans and advances subject to legislative and non-legislative repayment holidays, by residual maturity of the repayment holiday

	Number of debtors	Gross carrying amount							
			Of which: Legislative repayment holiday	Of which: Expired	Remaining term of repayment holiday				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which a repayment holiday was proposed	21,995	5,384,559,825							
Loans and advances subject to a repayment holiday (granted)	21,620	4,786,748,457	2,730,579,484	22,028,036	1,948,590,409	2,604,334,967	101,733,073	90,981,787	41,108,220
Of which households		2,043,392,817	-	9,251,880	1,207,981,300	785,299,821	46,050,489	861,206	3,200,000
<i>Of which secured by residential property assets</i>		2,033,990,019	-	1,779,731	1,198,578,503	785,299,821	46,050,489	861,206	3,200,000
Of which: Non-financial sector companies		2,537,988,580	2,527,123,901	10,864,678	604,244,675	1,751,367,465	55,245,987	89,222,232	37,908,220
<i>Of which SMEs</i>		925,085,724	918,524,207	6,561,517	335,960,675	544,596,988	6,748,820	37,779,241	-
<i>Of which secured by commercial property assets</i>		912,545,578	912,545,578	-	28,405,180	845,704,401	38,435,998	-	-

4.4.6.2 Government-backed loans

On 16 March 2020, the French government announced it was setting up a system of government-backed loans specifically for businesses in order to help them face the economic and health crisis brought on by Covid-19. These government-backed loans will be available between 16 March and 31 December 2020 through France's main banking institutions, including La Banque Postale.

They are designed to assist businesses experiencing cash flow problems. No repayments are due in the first year, after which the borrower has the option of repaying the loan over a period of up to five years. The loans are backed by a government guarantee covering 70% to 90% of the principal, interest and incidental fees, depending on the size of the borrower's business. It applies throughout the term of the loan unless the acceleration clause is triggered due to a credit event. The cost of the loan comprises each lender's financing cost (interest rate), without any margin, plus the fee for the government guarantee which is fixed by law.

A two-month waiting period applies as from the loan grant date for the guarantee to take effect.

At 30 June 2020, La Banque Postale had received 7,595 applications for these loans, representing an aggregate €1,779 million. At that date, a total of €864 million in loans had been granted, with €694 million drawn down by 3,818 borrowers, including 3,136 very small businesses and self-employed workers (representing €124 million in exposure). The majority of the loans granted have maturities of between 9 and 12 months and are healthy. The sectors that primarily benefited from this scheme are wholesale and retail (25%); specialised, scientific and technical activities (18%); and agrifood (14%).

Information about loans recently granted under the new government-backed loan scheme introduced during the Covid-19 crisis

	Gross carrying amount		Maximum amount of guarantee that can be taken into account	Gross carrying amount
		Of which waived	Government guarantees received	Reclassification to non-performing exposures
Newly created government-backed loans and advances	694,153,413	-	364,207,089	342,124
Of which households				
Of which secured by residential property assets				
Of which non-financial sector companies	570,288,571		304,335,246	250,000
Of which SMEs	290,977,398			250,000
Of which secured by commercial property assets	-			-

4.4.7 Credit risk mitigation techniques

4.4.7.1 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.

To mitigate real estate loan risk:

The general principle is that any financing must be 100% covered by a guarantee, which provides an adequate level of cover that complies with 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.

La Banque Postale uses three main organisations/collaterals:

1. Crédit Logement
2. Fonds de cohésion sociale (FGAS)
3. Nationale Hypotheek Garantie (NHG)

By way of exception to the preceding principles, some small home improvement loans are granted with no guarantee.

Bridging loans can be granted without or with lesser guarantees, if the sale agreement or the promise of sale for the asset that is the subject of the loan has been signed, and the conditions precedent favouring the buyer of the asset have been lifted. In such a case, La Banque Postale can take a simple pledge of mortgaged assets (PAH) on the asset to be sold.

If the quality of the file so justifies, La Banque Postale may grant a non-guaranteed loan, provided that all the non-guaranteed loans granted to the same customer together do not exceed the limit fixed by the terms and conditions for granting loans.

If the quality of the file so justifies, La Banque Postale may accept a guarantee from an individual as the principal guarantee, within the limits fixed by the terms and conditions for granting loans.

The realisation value of home loan security rights is subject to a quarterly review based on updated notarised indices.

However, the quality of the guarantee doesn't justify the granting of a loan.

To reduce credit risk on part of the commitments guaranteed by the FGAS facility:

Pursuant to the decision of the ACPR college of 19 June 2014 taking into account the specific characteristics of the **FGAS guarantee** facility, the prudential treatment under the CRR of the 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 loan portfolios:

The WEW (Waarborgfond Eigen Woningen/housing guarantee fund) an organisation backed by the Dutch government which manages the NHG public guarantee system (rated AAA), covers 90% of the final loss.

To mitigate consumer credit risk:

Consumer loans are generally granted without guarantees or collateral.

Risk mitigation technique for commercial banking activities in the business market

In the area of guarantees and credit risk mitigation techniques for businesses, La Banque Postale relies on the following principles:

- ▶ guarantees are “credit risk mitigators”; their role is to limit La Banque Postale's loss in the event of a borrower default (LGD);
- ▶ any commitment must be covered by a guarantee except where risk management rules provide otherwise;
- ▶ the guarantees taken must comply with the risk management rules: be legally approved and managed by operational entities;
- ▶ insofar as possible, security rights must qualify in prudential terms. However, this is not compulsory. Some guarantees do not lead to a reduction in equity requirements but secure the transaction for the lender.

Risk mitigation technique for its market activities

With respect to the Credit Risk mitigation technique for market activities, La Banque Postale Group's standard calls for the inclusion of collateral from repo transactions as securities when the following eligibility criteria are met:

- ▶ sufficiently liquid asset included in the list of CRR assets (Article 194.3);
- ▶ right to liquidate (Article 194.4);
- ▶ match between the credit quality grade (CQS) and the assessments of the external organisation (Article 197.1).

La Banque Postale has implemented internal eligibility criteria as a guarantee for repo agreement transactions.

4.4.7.2 Quantitative information on credit risk mitigation techniques

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	160,085	43,068	23,985	329	-
Total debt securities	62,101	1,960	472	657	-
Total exposure	222,186	45,028	24,457	985	-
Of which defaulted	584	366	213	20	-

Non-guaranteed exposures include exposures to savings centralised with 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	128,874	1,586	134,648	730	12	0.0%
Regional governments and local authorities	5,370	4,135	7,726	2,991	2,129	19.9%
Public sector entities	800	421	843	125	214	22.1%
Multilateral development banks	-	-	-	-	-	-
International organisations	-	2	-	2	-	-
Institutions	10,856	3,353	44,777	2,730	11,772	24.8%
Corporate	21,825	8,209	20,363	5,104	19,642	77.1%
Retail customers	51,465	8,232	12,420	2,062	10,619	73.3%
Exposures secured by mortgages on real estate	25,631	472	26,126	473	10,864	40.8%
Exposures in default	1,079	103	701	91	924	116.7%
Exposures associated with a particularly high risk	904	173	834	173	1,491	148.1%
Covered bonds	3,072	37	3,065	37	310	10.0%
Institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	221	3	202	3	205	100.0%
Equities	12,160	82	12,151	82	12,848	105.0%
Other items	3,592	-	3,592	-	2,640	73.5%
Total	265,848	26,808	267,451	14,603	73,671	26%

At 30 June 2020, the average weighting of La Banque Postale's credit portfolio was 26% 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.

4.4.8 Use of external credit rating agencies

La Banque Postale calls on external ratings agencies in the context of its business customer credit activities. In 2020, four external organisations were used by La Banque Postale to determine the external ratings used for counterparties: Standard & Poor's, Moody's, Fitch and FIBEN.

These four rating agencies are consulted in order to determine the credit quality level that applies to each counterparty. In accordance with current regulations, the level used to assess credit risk is the second most unfavourable rating in the event that there is no consensus between the four agencies.

The EBA's prudential correspondence tables are applied in order to determine the credit risk weightings using the standardised approach of valuing risk-weighted assets.

4.4.9 Counterparty risk

4.4.9.1 Definition and management framework

Counterparty credit risk is primarily the result of transactions on forward financial instruments.

Exposure is assessed via the present value method.

Counterparty risk is generated by all derivative products held in La Banque Postale banking or trading portfolios. This risk is always calculated when the BFI (Corporate and Investment 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 via all securities lending/borrowing positions. The assets underlying these transactions are generally bonds and they may be covered by Global Master Repurchase Agreement (GMRA) or FBF (Fédération Bancaire Française) contracts.

The residual risks are subject to limits and are periodically monitored by the Corporate, Public Sector and Institutional Credit Risk Department.

4.4.9.2 Exposure to counterparty risk

Analysis of 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	-	6,823	1,098	-	-	4,595	1,737
Initial exposure	-	-	-	-	-	-	-
Standardised approach	-	-	-	-	-	-	-
IMM (for derivatives and SFT)	-	-	-	-	-	-	-
Of which securities financing transactions	-	-	-	-	-	3,775	1,357
Of which derivatives and deferred settlement transactions	-	-	-	-	-	820	380
Of which resulting from a multiproduct clearing agreement	-	-	-	-	-	1,181	557
Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-
Financial collateral simple method (for SFTs)	-	-	-	-	-	4,595	1,737
VaR for SFTs	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	1,737

Exposure to central counterparties

(in € millions) Exposure categories	Weighting											TOTAL	Not rated
	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other		
Central governments and central banks	3	-	-	-	-	-	-	-	-	-	-	3	-
Regional governments and local authorities	-	-	-	-	32	-	-	-	-	-	-	32	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	1,409	-	-	695	1,759	-	-	0	-	-	3,863	1,166
Corporate	-	-	-	-	3	80	-	-	557	56	-	697	510
Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	1	-	1	1
Total	3	1,409	-	-	730	1,839	-	-	558	57	-	4,595	1,677

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)	-	43
Exposure to transactions with qualifying central counterparties (to the exclusion of initial margins and contributions for default funds); of which	1407	28
(i) OTC derivatives	242	5
(ii) Listed derivatives	-	-
(iii) SFTs	1166	23
(iv) All clearing in which multiproduct clearing has been approved	357	120
Segregated initial margin	1051	-
Non-segregated initial margin	366	7
Contributions to pre-funded default funds	59	8
Alternative calculation method of the capital requirement for exposure	-	-
Exposures to non-QCCP (total)	-	2
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	10	2
(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	3,003	1,255	1,609	694	916
SFTs	43,094	40,405	3,834	-	3,834
Multiproduct netting	-	-	-	-	-
TOTAL	46,097	41,660	5,443	694	4,749

(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		
...	445	-	544	-	33,467	27,588
Total	445	-	544	-	33,467	27,588

Exposures to credit derivatives

(in € millions)	Hedges based on credit derivatives		Other credit derivatives
	Protection purchased	Protection sold	
Notional amounts			
Single-signature CDS	1004	-	-
Indexed CDS	-	-	-
Total return swaps	-	-	-
Credit options	-	-	-
Other credit derivatives	-	-	-
Total notional amounts	1004	-	-
Fair values			
Positive fair value (assets)	3	-	-
Negative fair value (liabilities)	-	-	-

4.5 FINANCIAL RISKS

Financial risks are presented in two parts in this section:

- ▶ overall financial risks, covering interest rate risk related to banking transformation and exchange rate risk for all of the business activities within La Banque Postale's consolidated scope;
- ▶ market risks related to trading positions, consisting of negotiable securities and derivatives contracts entered into with an intent to trade, as well as risks related to the value of exposures measured at fair value through profit or loss or equity.

Market risk as defined by prudential regulations corresponds exclusively to transactions carried out with an intent to trade, i.e., to only a portion of the market risk as defined in the second paragraph above. It contains a capital charge relative to exchange rate risk, although the methods for managing this risk are covered more generally as part of the consolidated scope in Section 4.5.1.

4.5.1 Structural banking portfolio interest rate, liquidity and exchange rate risk

4.5.1.1 Governance

ALM Committee

The Asset and Liability Management (ALM) 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 responsibilities of the ALM Committee are:

- presenting the table tracking ALM thresholds and limits to management;
- conducting periodic reviews of the modelling of customer products and formally validating the related assumptions after prior review by the Group Risk Department;
- conducting the Committee's annual review of the overall cash envelope allocated to the CIB;
- setting the interest rate and liquidity strategy in accordance with the Group's financial and commercial policies with regard to financing capacity and compliance with indicators;
- monitoring and managing interest rate, liquidity and exchange rate risk indicators and anticipating future changes based on the key thrusts of the commercial policy and observed customer behaviour;
- validating the transfer pricing procedure;
- monitoring and managing the sensitivity of future margins;
- setting alert thresholds for interest rate, liquidity and exchange rate risks within the limits imposed by the risk appetite system proposed by the Group Risk Management Committee and validated by the management body;
- monitoring updates to La Banque Postale's processes to comply with ILAAP and IRRBB requirements;
- deciding financial asset investment and issue policies;
- deciding interest rate risk hedging policies to be implemented.

These responsibilities apply to 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 and cash flow hedging transactions.

Group Risk Management Committee (GRMC)

This Committee validates risk management principles and limits. It validates the ALM risk management system, in particular the limits 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 terms of its mapping and road map.

Risk Management Rules Validation Committee (CVRGR)

This Committee is responsible for approving 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 trajectory of capital and weighted asset risks;
- it defines corporate financing action plans (securities issues, capital increase requests, business line arbitrage/strategies, etc.) which can impact La Banque Postale Group's liquidity.

4.5.1.2 Banking portfolio interest 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) within the Financial Risk Department, which reports to La Banque Postale's 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 calculated exposures;
- ▶ to audit the methodologies used.

This risk is monitored using indicators showing the sensitivity of future margins and economic value to interest rates, and by modelling scenarios which assess the entity's capacity to withstand exogenous shocks.

The interest rate movements tested affect both uncertain cash flows from financial products and earnings from Retail Banking operations via behavioural models – particularly implicit options available to customers.

The supervision of interest rate risk is the responsibility of the ALM Committee, which monitors indicators and forecasts trends based on commercial policy guidelines and observed customer behaviour. The interest rate risk indicators are also reviewed by the Group Risk Management Committee. Interest 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 while ensuring compliance with value sensitivity indicators. A dynamic approach based on the business plan is used, applying interest rate derivatives (hedges) or adjusting commercial policies.

The balance sheet includes implicit and explicit options, leading to non-linear economic values based on interest rates. In this context, ALM proposes the regular rebalancing of structural positions using market instruments.

Scope

As required by the Basel Committee, significant interest rate risks in the banking book are identified and measured. Some of these risks may give rise to a specific follow-up procedure.

Interest rate risk is measured by maturity and by type of index for products dependent on variable or adjustable rates (Euribor, inflation, Eonia, etc.), taking into account likely runoff agreements, which are themselves dependent on market conditions. Interest rate risk includes several components:

- ▶ fixing risk related to differences between new interest rates applied to assets and to liabilities (depending on baseline rates and maturities);
- ▶ yield curve risk related to fixing risk: this is generated by changes in the yield curve (translation, rotation, etc.);
- ▶ baseline risks: these are related to the use of multiple baseline interest rates and arise from the imperfect correlation of different reference rates;
- ▶ option-related risks (contractual or behavioural);
- ▶ risks caused by positions exposed to actual interest/inflation rates.

The change in the net interest margin is therefore measured by reference to several interest rate scenarios. The interest rate risk on the balance sheet is simulated with dynamic modelling, taking into account future changes in outstanding amounts (early repayments, loan originations, etc.), in accordance with behavioural models and the business plan.

Trading room bond portfolio transactions do not fall within the scope of overall interest rate risk management as the risk associated with these transactions is monitored and managed according to the individual limits for each portfolio. These specific trading room portfolios are subject to market risk-type limits.

Assessing overall interest rate risk

Agreements and models

The interest rate gap and interest rate sensitivity valuation methodologies used are determined according to the type of assets (or liabilities) comprising the balance sheet:

- ▶ outstandings with fixed maturities (contractual runoff that may or may not be adjusted by a model);
- ▶ outstandings with no fixed maturities (conventional runoff);
- ▶ off-balance sheet items (liquidity commitments and guarantees).

Transactions with no contractual maturity (including customer deposits and passbook accounts) are included in accordance with the runoff agreements approved by the ALM Committee.

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

Interest rate gap

For a given currency, the nominal interest rate gap is calculated for fixed-rate transactions and for variable-rate and adjustable-rate transactions up to the next rate review or reset date. The nominal interest rate gap does not take into account interest rate payments.

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

Interest rate gap by maturity (in € millions) at 30 June 2020

(Negative amount = Surplus uses at fixed rates)

Average spot gaps (in € millions)	0 to 1 year	1 to 5 years	5 to 10 years	>10 years
Uses	(175,938)	(107,513)	(50,101)	(5,633)
Resources	176,617	120,819	56,242	3,872
Off-balance sheet	540	(1,643)	(1,755)	(363)
Interest rate gap at 30 June 2020	1,218	11,664	4,386	(2,124)
Interest rate gap at 31 December 2019	(5,239)	4,505	1,623	(2,912)
Adjustments	6,457	7,159	2,763	788

The marked increase in the fixed-rate de-transformation position in first-half 2020 can mainly be explained by the fact that the health crisis has skewed the La Banque Postale's balance sheet (steep rise in new savings deposits, slowdown in loan origination and drawdowns on Central Bank facilities).

EVE (Economic Value of Equity) sensitivity

This corresponds to a negative change in value following an instantaneous shock of $\pm 2\%$ applied to La Banque Postale's regulatory own funds. Regulatory capital is calculated using static modelling, based on the contractual maturities of balance sheet items.

The valuation methodology is based on the EBA's Guidelines. The EBA published a new version of this methodology, applicable from the second half of 2019.

EVE sensitivity by level of parallel interest rate shock (in € millions) at 30 June 2020

	(200)	200
EVE sensitivity (in € millions) at 31 December 2019	(201)	(110)
EVE/Capital sensitivity at 31 December 2019	-1.62%	-0.88%
EVE sensitivity (in € millions) at 30 June 2020	(241)	302
EVE/Capital sensitivity at 30 June 2020	-1.74%	+2.18%

There was little change in the EVE sensitivity to a parallel -200 bps shock owing to the fact that interest rates are close to the interest rate floor. Certain structural changes in the balance sheet affected sensitivity based on +200 bps:

- The significant rise in La Banque Postale savings deposits in first-half 2020 due to Covid-19 led to an increase in the value of La Banque Postale commensurate with the rise in interest rates.

- The increase in regulatory own funds related to the acquisition of CNP Assurances (an increase of €1.4 billion over six months) and the revised early repayment and renegotiation model impacted the sensitivity of own funds value.

The exposure to a shock of +/-200 bps now represents -1.74% of own funds. Note that the regulatory limit is -20% for a shock of +/-200 bps.

Net interest margin (NIM) sensitivity

Net interest margin (NIM) sensitivity is defined as the difference between the NIM in a modified interest rate scenario and the NIM in a baseline interest rate scenario.

NIM sensitivity is calculated for each interest rate scenario taking into account interest rate-dependent behavioural models, and by maintaining levels of loan origination and deposits from the commercial business, along with assumptions related to equivalent financial transactions in the baseline scenario.

Only the behavioural models show a reaction to the shock scenario. Their impacts on amounts outstanding modify the level of short-term financing.

Different interest rate scenarios featuring an instantaneous shock relative to the baseline curve:

- ▶ parallel +1% (translation +1);
- ▶ parallel -1% (translation -1);
- ▶ flattening: shock of +0.5% on all curves and on interest rates applicable for 1 year or less, and of -0.5% on all curves and on interest rates applicable for more than 5 years. Linear increase between 2 and 5 years;
- ▶ steepening: shock of -0.5% on all curves and on interest rates applicable for 1 year or less and of +0.5% on all curves and on interest rates applicable for more than 5 years. Linear decrease between 2 and 5 years;
- ▶ rise in short-term rates: shock of +1% on all curves and on interest rates applicable for 1 year or less;
- ▶ drop in long-term rates: shock of -1% on all curves and on interest rates applicable for 2 years or more.

It should be noted that a floor of -1% is applied to the NIM calculations.

Net interest margin (NIM) sensitivity at 1 year/Scenario (in € millions) at 30 June 2020

	30 June 2020	31 December 2019
Translation +1	239	109
Translation -1	(131)	(98)
Steepening	(99)	(6)
Flattening	62	(10)
Rise in short-term rates	285	136
Drop in long-term rates	5	(24)

The least favourable scenario at 1 year for La Banque Postale is a shock of -100 bps with a fall in NIM of €131 million for a forecast NIM of €1.99 billion, or 6.5%. This exposure to a drop in rates increased in the first half of 2020. The steep rise in customer savings deposits combined with a slowdown in loan origination in the wake of the Covid-19 crisis had a significant impact on this sensitivity.

4.5.1.3 Liquidity risk

Liquidity risk reporting and assessment systems

The liquidity risk reporting systems cover the entire prudential group. Some of the limits and indicators used in management refer to corporate units of the Group, notably La Banque Postale, the largest Group entity.

Adequacy of liquidity risk management procedures

Liquidity risk management is based on:

- ▶ a guidelines and limits system;
- ▶ a financing plan which ensures the equilibrium of La Banque Postale's funding position on an *ex-ante* basis;
- ▶ a buffer of high-quality unencumbered liquid securities (and its equivalent in Central Bank deposits).

The competent bodies of La Banque Postale (Supervisory Board) approved the entire liquidity assessment procedure and its adequacy (ILAAP) in April 2020.

La Banque Postale's overall liquidity risk profile

La Banque Postale has a strong liquidity position based on:

- ▶ customer deposits exceeding customer loans. La Banque Postale has a significant and diversified deposit base (in excess of €180 billion) consisting primarily of deposits from French retail customers;
- ▶ a significant HQLA portfolio (High-Quality Liquid Assets). La Banque Postale has traditionally invested a significant portion of its balance sheet in sovereign securities due to its historical activity as a deposit-taker. The customer credit business only began to develop in 2006. This portfolio contains only high-quality liquid assets in accordance with the provisions of Delegated Regulation (EU) no. 2015/61, which enables La Banque Postale to raise its short-term liquidity ratio to above 135% and to an average of about 150%;
- ▶ a forecast financing plan updated on a regular basis;
- ▶ proven access to capital market financing.

Since funds from customers mostly have no fixed maturity and may be payable at any time (deposits, passbook accounts), their runoff is modelled to determine their profile over time. La Banque Postale has taken a conservative approach to its liquidity assessments and has adopted very conservative runoff assumptions. Consequently, in calculating its resources, it applies upper limits for the volatility of outstanding amounts and lower limits for their liquidity duration.

Liquidity risk management

The ALM Committee is responsible for liquidity risk management in compliance with the principles 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.

In operational terms, La Banque Postale has implemented an internal liquidity adequacy assessment process (ILAAP) which combines all of its liquidity limits, assessment, monitoring, reporting and management procedures. The process includes:

- ▶ a guidelines and limits system;
- ▶ a financing plan which ensures the equilibrium of La Banque Postale's funding position on an *ex-ante* basis in its budget planning universe;
- ▶ maintaining and monitoring 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:
 - define alert thresholds to enable early detection of liquidity stress, whether specific to La Banque Postale or systemic,
 - identify all available liquidity-generating capacities (liquidity reserves and financing capacity),
 - mobilise governance to manage potential crises in a timely manner;
- ▶ measure La Banque Postale's room for manoeuvre via a stress test system in the context of historically high stress on its liquidity.

The liquidity risk prudential reporting systems cover the entire prudential consolidation scope. Some Group entities are also subject to reporting requirements at the individual level.

Liquidity risk measurement

Short-term monitoring of liquidity

This system is based on:

- ▶ regulatory liquidity ratios and reporting;
- ▶ the Liquidity Coverage Ratio (LCR);
- ▶ 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 deterioration in its financial situation for up to 30 days in a systemic shock environment.

The target LCR must be above 100%: La Banque Postale complied with this requirement, with an LCR of 169% at 30 June 2020.

This ratio is calculated by dividing the sum of unencumbered, high-quality liquid assets by the liquidity requirement in a stress environment over a 30-day period.

EBA LCR SUMMARY at 30 June 2020

Description	30 June 2020	31 December 2019
Liquid asset buffer	40,873	30,720
Cash outflows	(31,836)	(26,820)
Cash inflows	7,632	6,714
Net cash outflows	(24,204)	(20,106)
Shortfall	16,668	10,614
LCR	168.9%	152.8%
Ratio inflows/outflows	24.0%	25.0%

The LCR is also one of the requirements to be observed in dynamic liquidity forecasts.

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 are the subject of a regulatory report (ALMM) which is produced alongside the LCR report.

The NSFR corresponds to the amount of available stable funding in relation to required stable funding. This ratio should be at least 100% at any time. "Available stable funding" refers to the portion of resources that are not payable within the time frame considered, i.e., 1 year within the context of the NSFR. The amount of "required stable funding" of a business depends on the characteristics of its liquidity and the residual maturity of its assets (and off-balance sheet positions).

At the date of this report, 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 a liquidity forecast is provided alongside the provisional budget trajectory;
- ▶ an assessment of the forecast LCR as part of the implementation of the financing plan, with La Banque Postale ensuring an adequate level over the long term;
- ▶ the creation of several LCR ratio stress scenarios as part of the ILAAP;
- ▶ the concentration, cost and structure of refinancing, and the concentration of the asset buffer, are assessed on a regular basis and are the subject of a regulatory report (ALMM) which is produced alongside the LCR report;
- ▶ biannual market access tests to verify market access in different currencies;
- ▶ an assessment of the liquidity gap, described below.

La Banque Postale assesses its long-term liquidity level by reference to a liquidity gap. The liquidity gap includes static gap forecasts by maturity and limits defined at 1-, 3- and 5-year horizons. The assumptions used correspond to a stressed approach, resulting in a conservative view of the Group's liquidity position.

The liquidity gap assessment approaches are determined according to the type of asset (or liability) on the balance sheet:

- ▶ outstandings with fixed maturities (contractual runoff that may or may not be adjusted by a model);
- ▶ outstandings with no fixed maturities (conventional runoff);
- ▶ liquidity profile of the transferable assets;
- ▶ off-balance sheet items (liquidity commitments and guarantees).

Transactions with no contractual maturity (including customer deposits and passbook accounts) are included based on the runoff agreements approved by the ALM Committee and by the Group Risk Department.

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

The transferability of certain transactions may be taken into account where appropriate.

Long-term liquidity gap (in € millions) at 30 June 2020

Average spot gaps (in € millions)	1 year	3 years	5 years
Uses	(183,415)	(132,889)	(96,044)
Resources	215,674	166,964	122,121
Off-balance sheet	(10,980)	(8,454)	(5,622)
Liquidity gap at 30 June 2020	21,279	25,621	20,455
Liquidity gap at 31 December 2019	10,241	19,637	17,057
Adjustments	11,038	5,984	3,398

The gap (surplus resources) rose sharply in first-half 2020, mainly reflecting the impact of the sharp rise in La Banque Postale's liquidity as a result of the Covid-19 crisis (steep rise in deposits, slowdown in loan origination and drawdowns on Central Bank facilities).

"Dynamic" liquidity assessments take into account assumptions about La Banque Postale's loan origination and the refinancing of its budget and its medium/long-term business plan. These assumptions enable the Group to draw up 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 governing bodies in charge of financial management (the ALM Committee, the Capital Operational Management Committee and the Group Risk Management Committee) and implemented by the Corporate and Investment Bank (CIB) from an operational standpoint.

The Emergency Funding Plan is part of the internal liquidity assessment process on which La Banque Postale reports each year. The Emergency Funding Plan sets out the leading indicators selected to gauge the robustness of the (financial or banking) markets impacting the liquidity of La Banque Postale. These indicators can be broken down into two major groups:

- ▶ systemic indicators;
- ▶ entity-specific ("idiosyncratic") indicators.

A specific threshold (comfort, vigilance or warning) is defined for each indicator.

The Emergency Funding Plan also makes provisions for a mechanism to be implemented in the event of a proven systematic or entity-specific crisis. This mechanism mainly takes the form of an inventory of the various sources of funds (or liquidity) available to La Banque Postale, based on the amounts involved and the speed with which they can be accessed. The Emergency Funding Plan also makes provisions for specific governance through committees, which will monitor the leading indicators. The purpose of this governance is to provide reassurance to La Banque Postale's management regarding the increased oversight of liquidity risk. In normal times, the indicators are presented at meetings of the Capital Operational Management Committee and periodically to the Group Risk Management Committee. The indicators selected, and the actions proposed, are tested on the markets in order to gauge their suitability along with market liquidity.

The funding test involves testing the market by issuing short-term debt. The aim of this type of test is to regularly verify La Banque Postale's ability to quickly raise funds on the markets to ensure that its estimated borrowing capacity remains valid. This type of test is carried out at least twice a year.

A market access test was successfully performed in June 2020.

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 withstand a liquidity crisis.

The liquidity reserve is composed of:

- ▶ cash deposited with the Central Bank (excluding the average mandatory reserves calculated over the incorporation period);
- ▶ the securities in the HQLA (High-Quality Liquid Assets) buffer, consisting primarily of government securities, covered bonds and corporate securities meeting the prudential liquidity criteria defined by regulations applicable to the Liquidity Coverage Ratio (LCR) calculation, for which the securities valuation includes a discount in line with prudential regulations;
- ▶ other securities available from the ECB (primarily bank securities), including the ECB discount.

High-quality secured property loans that can be mobilised by the Group's home loans company through the issue of covered bonds, also represent a significant source of liquidity (around €4.8 billion in potential collateral at 30 June 2020, in addition to the other sources of funding typically used by La Banque Postale).

Composition of the liquidity reserve in securities at 31 December 2019 (in € millions)

Liquidity reserve (in € millions)	31 December 2019
Cash and central banks	30,088
Unencumbered HQLA securities	10,785
Other eligible ECB securities	6,605
TOTAL LIQUIDITY RESERVE	47,478

Ability 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, including:

- a €20 billion NEU CP (Negotiable European Commercial Paper) programme and a €10 billion ECP (European Commercial Paper) programme to refinance a portion of La Banque Postale's short-term financing requirements and satisfy demand from institutional customers;
- a €2 billion NEU EMTN programme to refinance a portion of La Banque Postale's short-term financing requirements and satisfy demand from institutional customers;
- a €10 billion retail EMTN programme enabling the issue of senior (vanilla and structured), non-preferred senior and Tier 2 debt;
- a €20 billion EMTN programme for the issue of home loan bonds (*obligations de financement de l'habitat* – OFH) via its secure financing vehicle, LBP Home Loan SFH, a La Banque Postale SA subsidiary created in 2013;
- access to EIB refinancing under La Banque Postale's eligible funds commitment;
- a portfolio of HQLA (High-Quality Liquid Asset) securities, consisting mainly of rapidly accessible, high-quality government bonds which represent a stable source of eligible assets enabling access to ECB refinancing operations or to the securities repo market;
- access to the Brokertec repo platform;
- access to the interbank market.

La Banque Postale also has access to a secure financing vehicle via Caisse de Financement Local (CAFFIL), to which it regularly sells loans originated for the local public sector.

In March 2020, and for the first time since its launch by the ECB, La Banque Postale once again participated in the ECB's targeted long-term refinancing operation carried out in December ("TLTRO III"), underlining its contribution to the provision of credit to households (excluding home loans) and non-financial firms intended as a stimulus mechanism.

4.5.1.4 Global exchange rate risk

Exchange rate risk, particularly the risk related to international mandates and financial activities, remains moderate despite the start of a USD financing business by the Corporate and Regional Development Department.

The balance sheet of La Banque Postale is managed almost exclusively in euros. Foreign currency market activities carried out by the cash management unit and portfolio-related activities are systematically hedged and converted into euros beyond a specified exchange rate position threshold.

The residual exchange rate risk related to income earned from these activities is managed by converting said income into euros at least every six months or whenever it reaches the established threshold.

The retail bank's foreign currency operations, which mainly involve international mandates, is fairly small.

At 30 June 2020, La Banque Postale's exchange rate position represented €53 million, including around 99% denominated in USD.

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 carried on La Banque Postale's balance sheet or of its commitments.

Within the Group Risk Department, it is the responsibility of the Financial Risk Department (DRF), and particularly the Market Risk unit, to manage market risk.

To ensure comprehensive monitoring of market risks, the monitoring scope of the Market Risk unit encompasses all fair value transactions.

The Financial Risk Department, under the responsibility of the Group Risk Department, reports to the Group Risk Management Committee on the definition 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 overall 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 Group Risk Management Committee (GRMC) meetings. Operational limits under Risk Management Rules are approved in Risk Management Rules Committee meetings.

Risk and Results unit

This La Banque Postale unit is responsible for the independent valuation of market transactions, aggregate risk assessment and Level 1 controls.

The unit is in charge of implementing the valuation and the risk calculation architecture. It carries out daily assessments of risks and results. A primary responsibility of this unit is to ensure that market conditions enable transactions to be valued correctly.

Daily risk calculations are carried out. The risk factors defined (within the main asset classes, i.e., interest rate, credit spread, exchange rate and equities) hedge and assess the risk of a gap between transactions and their hedges.

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 the CIB.

4.5.2.2 Market risk within the Group

Market risk concerns all balance sheet and off-balance sheet items measured at fair value. These items are found within La Banque Postale and within several Group subsidiaries, namely:

- ▶ in the insurance subsidiaries:
 - La Banque Postale Prévoyance,
 - La Banque Postale Assurances IARD,
 - La Banque Postale Assurance Santé;

- ▶ in the asset management subsidiaries:
 - La Banque Postale Asset Management;

- ▶ and in the banking subsidiaries:
 - BPE,
 - SOFIAP.

The Financial Risk Department's Market Risk unit is responsible for monitoring La Banque Postale's market risk and for consolidated supervision at Group level.

4.5.2.3 Role of the Financial Risk Department

Within the Financial Risk Department, the Market Risk unit is responsible for four main areas.

Limits and authorisations

Loss risks are managed by commitment or exposure limits and by a list of authorised financial products. The Financial Risk Department is therefore responsible for:

- ▶ reviewing requests for overall and operational limits;
- ▶ reviewing requests for new financial and investment products;
- ▶ monitoring compliance with limits;
- ▶ reporting and managing any overruns, 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, which reports to the CIB. One potential source of losses arises from the incorrect valuation of the price of financial assets in the portfolio. The Financial Risk Department therefore strives to ensure that the value of these assets represents fair market value with the lowest 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 inputs;
- ▶ verifies the quality of market data and compliance with valuation procedures;
- ▶ defines valuation adjustments as part of prudent valuation, in accordance with the Capital Requirements Regulation (CRR).

Risk measurement and control

In order to manage risk-taking, the Financial Risk Department must be able to provide an accurate account of the risks to which 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 approaches and back-testing those approaches;
- ▶ monitoring the positions taken by the Group in order to ensure that they fall within the established limits.

Process controls

The Financial Risk Department's Market Risk unit draws up a plan of controls to ensure the successful execution of its work and the quality of data produced.

4.5.2.4 Market risk indicators

Sensitivity

Sensitivity measures the exposure of La Banque Postale's portfolio to a change in risk factors.

The Financial Risk Department approves the sensitivity calculation methodology and ensures that all relevant and material risk factors are taken into account.

Value at Risk (VaR)

VaR is an indicator of the risk of loss to which La Banque Postale is exposed. It gives an estimate of maximum potential losses over a specified period with a given probability. However, VaR does not indicate the various levels of potential losses that may arise from infrequent events.

The VaR indicator is calculated on trading portfolios and also on certain banking portfolios. An overall VaR encompassing all positions is also calculated.

VaR is broken down for each of the activities included in the market portfolio.

In line with a prudent approach, La Banque Postale decided to apply a VaR indicator (one-day, 99%) to all of its mark-to-market positions. The VaR indicator used by La Banque Postale is a parametric VaR, calculated using a variance-covariance matrix that includes interest rate, spread, exchange rate and volatility risks, along with the risk of movements in the stock market indices to which La Banque Postale 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 of this approach does not therefore cover second-degree (convex) risks, which are rarely found in its accounts.

The resulting VaR partly covers option-related risks, with second-degree risks not taken into account. Building option positions, although they are not currently significant, could lead the Group Risk Department to adapt its 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

VaR, which is calculated on the assumption that it follows a normal distribution, is estimated under normal market conditions and does not provide any information on the amount of the potential loss when the VaR is exceeded. As the Group needs to be able to estimate potential losses in exceptional market conditions (terrorist attack, collapse of a major group, etc.), it defines stress scenarios.

A stress scenario involves simulating an extreme situation in order to assess the financial impact on La Banque Postale's earnings or capital. The use of these scenarios is an analytical and management tool providing a better understanding of market risk.

La Banque Postale seeks to deal in all markets (UCITS, currencies, exchange, fixed-income, credit and derivatives). However, at present, the bank mostly deals in fixed-income, credit and UCITS markets. Accordingly, the crisis scenarios defined mainly impact exchange rates, interest rate curves, credit spreads and UCITS, according to their asset class.

Two major stress groups have been identified and will be considered, as required by applicable regulations. We distinguish between “objective” and “subjective” approaches:

- ▶ objective approaches 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 adopts plausible variations which, although they have never occurred, could threaten the organisation if they did. These shocks are calibrated with assumptions based on historical statistics drawn from market data.

A historical stress scenario is triggered by a sudden event affecting a combination of factors. To plan for a worst-case scenario, the time frames selected correspond to the initial stage during which the crisis spreads up to the first indication that prices are stabilising, given that several trading days are needed to close out high-risk positions.

Historical scenarios reconstruct the following 12 financial crises:

- ▶ stock exchange crash, 19 October 1987;
- ▶ withdrawal of sterling from the European Exchange Rate Mechanism, 20 September 1992;
- ▶ bond market crash, 1994-1995;
- ▶ Russia, 17 August 1998;
- ▶ LTCM, 23 September 1998;
- ▶ WTC terrorist 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 performs stress testing on the following risks:

- ▶ general interest rate risk: various changes such as a steepening of the curve or a flattening or widening of interest rate spreads are applied to the Euribor/Libor interbank rate curves;
- ▶ specific interest rate risk: stress testing involves applying 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.

4.5.2.5 Market risk limits

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, set for each activity in the Risk Management Policy, are approved by the Executive Board in Group Risk Management Committee meetings.

They are rolled out operationally through a more detailed series of limits. When the limits are defined, the Risk Department ensures that they are consistent with the VaR thresholds approved by the Group Risk Management Committee. The Group Risk Management Committee and the Risk Committee are regularly informed as to the implementation of these limits and traders' compliance with them.

The system of limits is adapted to the organisation of La Banque Postale's financial activities. The trading room defines limits per activity, taking into account the aim of transaction management and the impact of transactions on La Banque Postale's earnings or capital.

Risk metrics

The limits are applied to the relevant risk measures to manage the potential impact of adverse changes in the markets on La Banque Postale's earnings and capital. The objective is also to ensure that each activity remains within the specified management framework and only deals in market instruments that La Banque Postale's internal systems are operationally capable of managing.

Review of limits

Limits are reviewed each year in conjunction with the front office. It is important to ensure that the limits assigned remain consistent with changes in financial markets and in La Banque Postale's activities.

Limits may also be reviewed at other times, at the request of the front office or at the discretion of the Financial Risk Department.

Overruns

Exceeded limits, or overruns, are managed via an alert procedure defined in the overrun management standard approved by the Risk Management Rules Committee of the Group Risk Department.

Taking account of the context, the Financial Risk Department evaluates the pertinence of the planned corrective actions and may, if necessary and agreed by the Head of Group Risk, authorise a limit to be exceeded over a specified period if it cannot be quickly corrected due to operational reasons or the market environment.

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.

4.5.2.6 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 mostly use traditional instruments commonly found in the financial markets:

- ▶ bonds;
- ▶ plain vanilla interest rate derivatives;
- ▶ UCITS;
- ▶ CDS hedges;
- ▶ structured EMTNs;
- ▶ transactions on listed markets (essentially interest rate/sovereign bond futures).

4.5.2.7 Risk exposure

La Banque Postale is exposed to market risks due to its cash management and surplus liquidity management activities (portfolio of assets available for sale and hedging transactions), and through transactions undertaken on behalf of customers.

The market portfolio, which comprises all transactions exposed to market risks, includes the trading portfolio as defined in Articles 102 to 104 of Regulation (EU) no. 575/2013 of the European Parliament and the Council dated 26 June 2013 on capital requirements for credit institutions and investment firms, as well as banking portfolio transactions including available-for-sale securities and certain lending and borrowing transactions.

In terms of market risk management, La Banque Postale is primarily exposed to interest rate, credit spread and equities risks. Exchange rate risks, particularly related to international mandates and financial activities, along with volatility risks, are moderate.

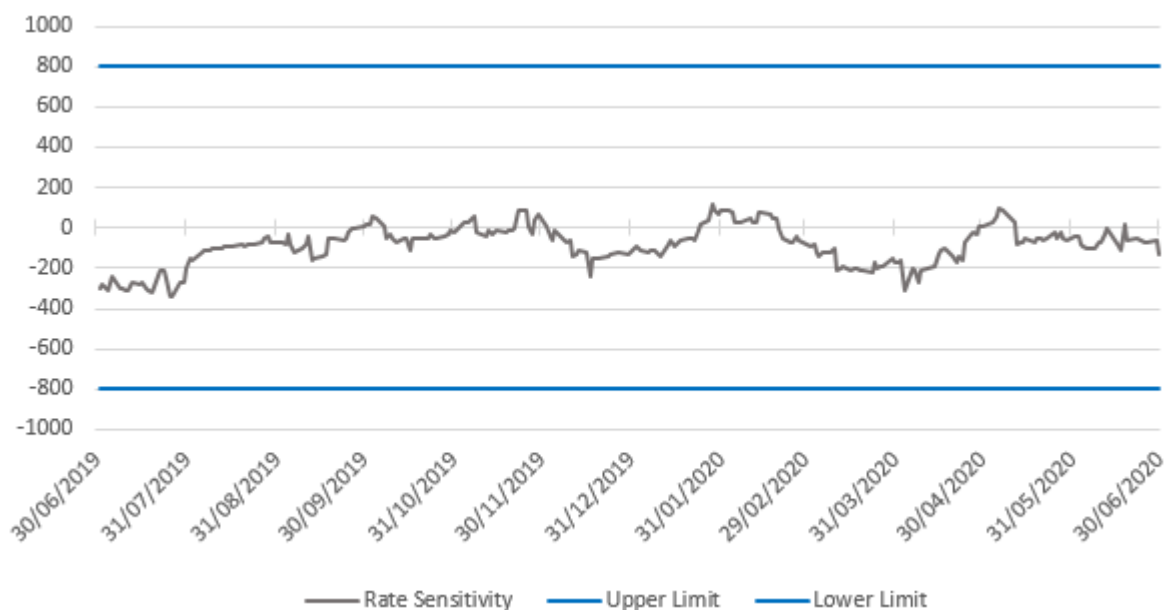
4.5.2.8 Change in the main risk indicators for the trading room in 2020 and monitoring limits for the "Fair value through profit or loss" scope

TRADING ROOM VALUE AT RISK (IN € MILLIONS)



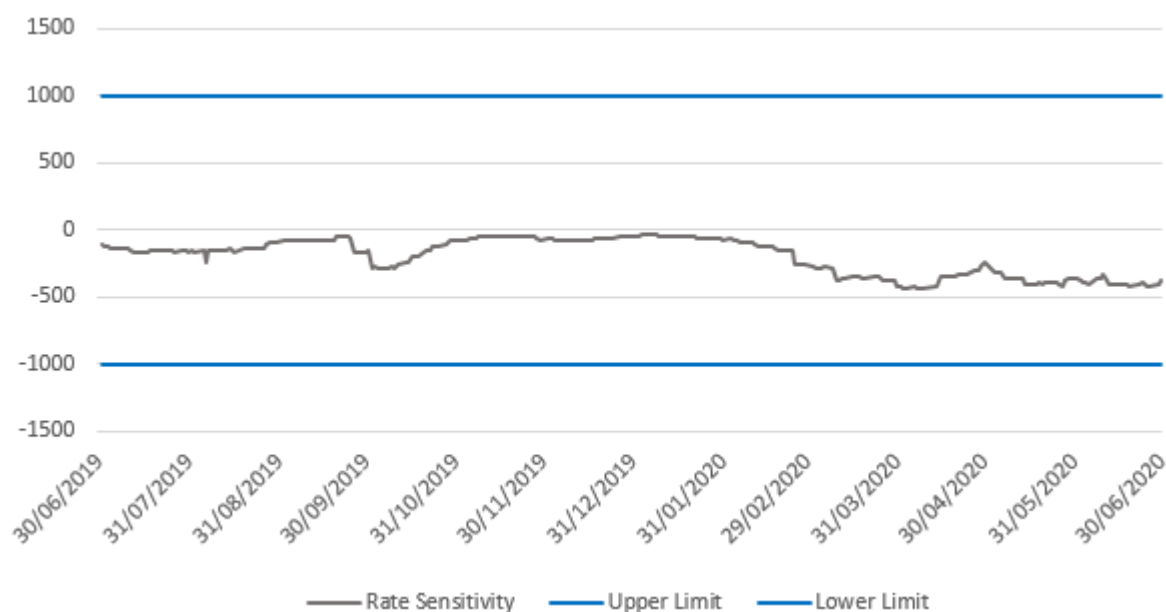
The value at risk (VaR) of the "Fair value through profit or loss" portfolios remained well below its limit, ranging between €2 million and €4 million over the period before the health crisis hit. The Covid-19 crisis resulted in severe financial market volatility. On 16 March 2020, the VaR hit a high of €8 million, before returning close to its prior-year level in second-quarter 2020.

INTEREST RATE SENSITIVITY (IN € THOUSANDS/BPS)



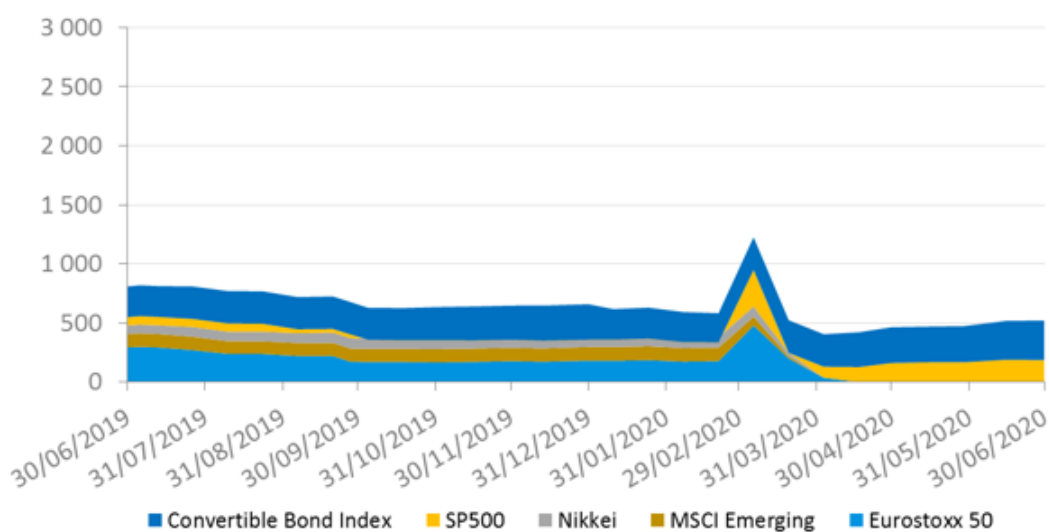
The sensitivity of the trading portfolio to changes in interest rates ranges between +€100,000/bps and -€300,000/bps, and remains well within the authorised limits.

CREDIT SENSITIVITY OF THE TRADING PORTFOLIO (IN € THOUSANDS/BPS)



The credit sensitivity of the trading portfolio is stable, at between +€0/bps and -€200,000/bps up to early March 2020. The exposure then increased slightly to almost -€430,000/bps.

SENSITIVITY TO INDICES



Excluding AIFs, the sensitivity of the portfolio to equity indices decreased significantly due to scaled-back positions.

4.5.2.9 Capital requirements for market risk and for CVA

CVA capital requirements

CVA capital requirements (CCR2)

(in € millions)	Exposure value	RWA
Total of portfolios under the advanced approach	-	-
VaR component (including the x3 multiplier)	-	-
SVaR component (including the x3 multiplier)	-	-
All portfolios subject to the standardised approach	1,355	292
Based on the initial exposure method	-	-
Total subject to capital requirements with regard to the credit valuation adjustment (CVA)	1,355	292

Market risk under the standardised approach

(in € millions)	RWA	Capital requirements
Confirmed revenue		
Interest rate risk (general and specific)	1,292	103
Equities risk (general and specific)	-	-
Exchange rate risk	75	6
Commodities risk	-	-
Options	-	-
Simplified approach	-	-
Delta Plus approach	-	-
Scenario-based approach	-	-
Securitisation (specific risk)	-	-
Total	1,366	109

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 EQUITIES RISK	5,075

Consolidated equity investments mainly comprise La Banque Postale's interest in CNP Assurances.

Unrealised gains and losses and gains and losses on disposals are presented in tables “5.2 Financial assets at fair value through other comprehensive income” and “6.3 Net gain or loss on financial instruments at fair value through profit or loss” in the notes to the consolidated financial statements.

4.6 OPERATIONAL RISKS

4.6.1 Key figures

Operational risk indicators, warning thresholds and limits are defined in La Banque Postale Group's Risk Appetite Statement, approved by the Supervisory Board.

The significant incident threshold as defined by Article 98 of the government order of 3 November 2014 had not been exceeded at 30 June 2020.

The “external fraud” family is the Group’s main exposure. These are frequent cases of fraud, mainly linked to means of payment (electronic payments and cheques). However, measures taken over the past few years under the aegis of Executive Management have strengthened anti-fraud procedures and have significantly reduced losses resulting from this risk.

4.6.2 Regulatory framework and definition

In accordance with EU Regulation no. 575/2013 of 26 June 2013 and the government order 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, covers 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 plays a direct and effective management role through its shareholding.

The operational risk management procedure is based on the principle of accountability of the businesses in identifying, measuring, hedging and monitoring 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 procedure for managing and monitoring La Banque Postale Group's operational risks.

The Operational Risk Department, under the responsibility of the Group Risk Department, reports to the Group Risk Management Committee on the definition and implementation of procedures for managing and monitoring operational risks.

Role of the Operational Risk Department

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

- ▶ **establish the framework:** set the 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 organisation);
- ▶ **monitor:** identify the major risks of La Banque Postale Group, and 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 and identify weaknesses;
- ▶ **provide support:** help those concerned in implementing and coordinating the system within their business line.

4.6.4.2 Operational risk management stakeholders

The respective roles and responsibilities of operational risk management stakeholders within La Banque Postale Group are formally documented in the Group Risk Management Policy. This policy 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 (the La Poste Network).

The Group risk management system is rolled down through rules on risk management and operating methods as set forth in the documentation database for operational risk management.

The key principle is the accountability of the business units for the risks to which their activity is exposed. To carry out their roles within the risk management system, heads of entities are assisted by employees within the risk organisation reporting to the Group Risk Department and known as Risk Managers (RMs).

Within their respective scopes of responsibility, the RMs:

- ▶ oversee the implementation and coordination of the operational risk management system;
- ▶ monitor its effectiveness;
- ▶ report to the Operational Risk Department.

The Operational Risk Department manages all operational risk stakeholders with the help of a road map which establishes the action priorities, deliverables and the respective deliverables schedule for each year. The Group Risk Managers within the Operational Risk, ISS and BCP/SPP Departments support the Risk Managers in deploying their road maps.

4.6.4.3 Governing bodies

The Operational Risk Department participates as needed in meetings of the Group Risk Management Committee, chaired by the General Secretary. The main responsibilities of this Committee in terms of operational risks are to validate the Group's operational risk profiles, and to review and arbitrate on the risk management systems in post-mortem analyses of significant incidents.

Each entity must hold a Risk and Control Committee meeting or Risk Management Committee meeting at least twice a year with the aim of building a consolidated view of the effectiveness of the operational risk management system and of the related controls.

Lastly, the Operational Risk Department meets twice a year with the Risk Managers at Operational Risk Management Days. These meetings notably enable the actions initiated by the organisation to be coordinated, best practices to be exchanged and potential changes to the operational risk management system to be considered.

4.6.5 Current systems

Operational risks are classified according to the risk category and sub-category framework proposed by the Basel Committee and set forth in Article 324 of Regulation (EU) no. 575/2013 of 26 June 2013 on capital requirements for credit institutions and investment firms.

The Operational Risk Department manages the implementation of an operational risk analysis and measurement system compliant with the government order of 20 February 2007 on capital requirements for credit institutions and investment firms and with Regulation no. 575/2013.

The system is mainly based on:

- ▶ operational risk mapping;
- ▶ implementing a system for reporting incidents and losses sustained by the various entities of La Banque Postale and the subsidiaries concerned to the Group Risk Department;
- ▶ implementing operational risk stress test modelling and quantification;
- ▶ reports comprising an assessment of operational risk levels by Basel group, based on incidents identified and monitoring indicators.

The 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.

Operational risk management therefore helps to strengthen La Banque Postale's internal control system.

4.6.5.1 IS security

A risk-based approach to Information systems security

Information systems security (ISS) is defined as an overall risk management system that guarantees adequate protection of information produced and transferred, and of the related assets, in order to ensure their:

- ▶ **availability**, by guaranteeing that authorised users have access to the information and related resources as needed;
- ▶ **integrity**, by guaranteeing the accuracy and reliability of the information and data processing methods;
- ▶ **confidentiality**, by guaranteeing that only authorised persons have access to the information;
- ▶ **traceability**, by knowing who has access to the information and when they access it.

Information systems security is the responsibility of the business lines under the leadership of the Group RSSI (Manager of Information Systems Security). The broad-shouldered Information systems security process covers all activities of La Banque Postale Group.

The process has four primary focuses:

- ▶ defining La Banque Postale's ISS strategy under the Risk Management Policy. This comprises the Information Systems Security General Policy, Thematic Policies, Technical Security Directives, operational procedures and IT charters;
- ▶ monitoring the operational implementation of this strategy;
- ▶ assisting the business lines in complying with the ISS strategy and with their efforts to protect against 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 the risk exposure.

Organisation

In operational terms, ISS involves identified Correspondents who report to members of the risk organisation, along with teams from the Information Systems Department dedicated to operational security.

Cyber risk and insurance coverage

Cyber risk is a major concern for La Banque Postale as services undergo mass digitalisation and cyber threats escalate. Initiatives to make controls systematic and reliable are currently being rolled out in order to reduce the Group's exposure to these types of risk.

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 incidents on customers, staff, activities and infrastructure in order to protect the Group's reputation and ensure its staying power.

The approach put in place looks to optimise business continuity and physical resilience at all of the Group's entities. It is based on a methodology which involves:

- ▶ identifying threats;
- ▶ protecting infrastructure via prevention and physical protection systems and measures;
- ▶ identifying business continuity priorities, needs and strategies;
- ▶ implementing an effective response capability for a range of crisis scenarios, including extreme shocks, based on a Group crisis management system;
- ▶ testing and maintaining the systems to ensure their effectiveness.

The Group has defined four business interruption scenarios that may occur together or in isolation:

- ▶ long-term unavailability of a site hosting personnel;
- ▶ failure of information systems and/or technical systems;
- ▶ significant employee absenteeism (pandemic, strikes);
- ▶ 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.

4.7 INSURANCE RISKS AND ADDITIONAL SUPERVISION OF CONGLOMERATES

4.7.1 Insurance risks

The Insurance division comprises four subsidiaries incorporated as limited companies, and a qualifying shareholding in CNP Assurances, which is itself a limited company.

The Insurance division is dominant in La Banque Postale Group's new structure, and exposure to insurance risks mainly concerns CNP Assurances, along with La Banque Postale's three legacy insurance subsidiaries. The insurance business can meet the needs of La Banque Postale's customers by offering them a broad and innovative range of insurance products that respect the values of affordability and trust associated with the Group.

CNP Assurances also sells insurance policies to non-La Banque Postale customers either through its partners' distribution networks, or directly through collective insurance underwriters.

For La Banque Postale Group, the development of its insurance business for its customers, and of the products and services offered by CNP Assurances, represent strategic avenues for growth that will allow the Group to provide its target markets with bespoke products while ensuring its own financial stability.

For more information on insurance activities, please refer to Chapter 1 of this Universal Registration Document, Section 1.4.2 "Insurance".

4.7.1.1 Classification of insurance risks

All La Banque Postale subsidiaries and investments in the insurance sector must always meet the regulatory requirements of this industry. Although La Banque Postale is 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, it is responsible for ensuring that each of its subsidiaries meets all requirements and that, across the entire Insurance division, the risk management mechanisms put in place are aligned with the Group's Risk Management Policy and Group Risk Organisation Charter in particular.

The Insurance Risk Management Policy is rolled down based on the legal and regulatory framework implemented by the "Solvency II" and "FICOD" directives, as transposed into French law. This Policy sets out the strategies, principles and processes making it possible to identify, measure, manage and monitor the risks to which the insurance activities of La Banque Postale Group are exposed, including activities entrusted to its partners in the insurance sector.

For CNP Assurances, the general principles of technical insurance risk supervision and commitments are set out in the Group's Risk Management Policy. The Group's underwriting policy lays down the governance arrangements and delegation process for new insurance commitments. The Business Units and subsidiaries have also drawn up detailed underwriting policies specific to their products and markets. CNP Assurances' reinsurance policy also defines the conditions in which reinsurance may be used to mitigate technical insurance risks. This policy is also rolled out in its subsidiaries.

Risk management, Group underwriting and reinsurance policies are approved by CNP Assurances' Board of Directors.

Within the framework of the Group's Risk Management Policy and the Group Risk Organisation Charter, and as delegated by La Banque Postale Group's Risk Department, the definition and implementation of the risk monitoring, management and oversight system for 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 seeks approval for an Insurance Risk Management Policy which is integrated into the Group Risk Management Policy;
- implements the risk management procedures for La Banque Postale Group, where applicable rolling down and adapting those procedures for the Insurance division, taking into account the applicable industry regulations;
- ensures that the Insurance division entities comply with Group procedures and with the requirements specific to the business and applicable regulations;
- sets up a risk organisation for the Insurance division which it coordinates and for which it liaises with La Banque Postale's risk organisation. It is led by La Banque Postale's Group Risk Department together with the Risk and Actuarial Department. Within this framework, the head of risk management within the Insurance division reports to the department on a functional level.

These insurance risk management procedures allow the Group to have, at the level of the Insurance division, a sub-consolidated vision of the risks taken and potential risks, and to ensure that they are compatible with the risk appetite at all times. These procedures also enable supervision to be carried out on a consolidated basis at the level of La Banque Postale Group.

To ensure that the insurance activities are aligned with the risk management policies of La Banque Postale Group, the Insurance Risk Committee coordinates and supervises the risk management procedures for the entire Insurance division, including outsourced activities. In particular, the Committee is responsible for providing a consolidated vision of Insurance division risk and the extent to which those risks are managed.

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 involved in risk control and management at La Banque Postale:

With regard to the Insurance division, **risk governance** is based on:

- the executive bodies of each subsidiary: the Board of Directors and its Audit and Risk Committee, in addition to other Board committees such as the Financial Committee and the Development Committee;
- operational governing bodies:
 - a) General Management of the subsidiary which relies on two effective managers, each of whom has the authority to make commitments on behalf of the Company and whose respective remits and procedures ensure a dual view of transactions and continuity in the decision-making processes defined by the Board of Directors.

General Management undertakes various responsibilities with regard to the implementation, management and monitoring of the internal control and risk management system (implementation of the Insurance Risk Management Policy; oversight of capital allocations to the various business activities; definition of operational limits and regular reviews according to changes in the risk profile; detailed definition of the subsidiary's organisation and particularly the associated decision-making processes; definition and development of an internal control environment; implementation of an appropriate structured reporting system; review of the indicator dashboard and update of the risk map; recommendations to the Board of Directors in terms of measures aimed at adapting and improving the internal control and risk management system; application of the Board's guidelines on the measures to be taken to mitigate identified risks and/or introduce improvements based on reports received; informing 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; monitoring 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 seamless coordination with the Group and providing it with its expertise; proposing new growth projects; and 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 (responsible for assisting General Management with the definition and monitoring of the risk strategy; measuring the associated economic capital levels and defining any corrective actions; providing oversight of the risk management system and plan of controls; ensuring the regular production of the risk indicator dashboard and analysing the results),
- d) the Model and Assumptions Committee of each subsidiary, which reports to the Actuarial Unit (responsible for providing General Management, the Actuarial function and the Risk Management function with a report on the status of the models, the secure environment put in place and the related inputs in order to understand, approve and, where appropriate, report to the Risk Management Committee on changes to models as well as their impacts on model limits; ensuring that there is an adequate level of documentation; obtaining approval for the management strategies proposed to the Company's business heads; taking part in training managers on the tools and their limits; and arbitrating on the assumptions, legal framework and models used for the decisions),
- e) the Product Review Committee, which reports directly to General Management (responsible for analysing new products and guarantees and their risks in order to ensure that they are aligned with the business plan and the risk profile of the subsidiary; and approving or rejecting planned launches of new products or guarantees prior to presentation to La Banque Postale's Products Review Committee),
- f) Partnership Management Committees, which report to General Management and ensure that service providers implement 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 La Banque Postale's Internal Audit Department). The key functions report on their work to the Audit and Risk Committee, which in turn reports to the Board of Directors.

The risk limits are set in line with the risk appetite of each subsidiary, and are approved by each subsidiary's Board of Directors. They provide a strict framework for risk management and risk selection.

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 conglomerate risk map:

- ▶ financial risks;
- ▶ insurance liability risks (or technical risks);
- ▶ operational and non-compliance risks;
- ▶ other risks, including model risk.

Financial risks

The insurance subsidiaries of La Banque Postale, including CNP Assurances, carry out market transactions as part of the asset-liability management of their balance sheet: capital and commitments to policyholders are covered by various categories of assets exposed to the risk of changes in prices of securities resulting from movements in financial markets and factors inherent to each issuer.

Based on its risk profile, the CNP Assurances group is mostly exposed to financial risks which are therefore closely monitored through the Group's risk management and ALM risk management policy, both of which have been approved by CNP Assurances' Board of Directors.

Market risk

The insurance subsidiaries are exposed to the following market risks:

- ▶ interest rate risk;
- ▶ equities risk;
- ▶ property risk;
- ▶ spread risk;
- ▶ exchange rate risk;
- ▶ concentration risk;
- ▶ liquidity risk;
- ▶ counterparty risk.

Interest rate risk

Given that most of the portfolio consists of fixed-income products, interest rate risk represents the main exposure on the asset portfolio: a rise in interest rates would have an immediate impact on the level of unrealised capital gains or losses on fixed-income assets, while a fall in interest rates would dilute the assets' overall rate of return due to lower actuarial rates upon the purchase of bonds.

Equities risk and property risk

Equities 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.

Through direct investments in equities and equities investment funds, equities-type portfolios are sensitive to fluctuations in equities markets and to the risk of a loss of value caused by a fall in prices of property and infrastructure assets.

Spread risk

Spread risk results from the sensitivity of the value of assets, liabilities and financial instruments to changes affecting the level or volatility of credit spreads relative to the risk-free interest rate yield curve.

Exchange rate risk

Indirect exchange rate risk exposure may arise from amounts invested in 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 for the currencies in which assets and liabilities are denominated.

Concentration risk

Concentration risk arises either from insufficient asset portfolio diversification or from significant exposure to the risk of default by a single securities issuer or group of related issuers.

Liquidity risk

For the insurance subsidiaries, liquidity risk is the risk of being unable to realise their investments and other assets in order to meet their financial obligations as they fall due.

Counterparty risk

The scope of counterparty risk includes contracts with provision for risk mitigation, such as reinsurance contracts, securitisations and derivatives, and receivables due from intermediaries and insured parties.

In order to manage market risks, strategic and tactical investment allocation guidelines are defined annually by La Banque Postale Group's insurance subsidiaries. These guidelines specify targets for portfolio distribution by asset class, preferred maturities and interest rates for fixed-income investments, and objectives in terms of financial risk hedging.

Implementation of these guidelines is monitored by assessing compliance with the limits set for each asset class, portfolio sensitivity and liquidity levels.

Analysis of the asset portfolio of the Insurance division at 30 June 2020:

Assets at cost, excluding unit-linked portfolios (IFRS, in € millions)*	30 June 2020	30 June 2019	Year-on-year change
Bonds and other fixed-income securities	2,431.0	2,240.8	190.2
Equities and other variable-income securities	120.9	146.6	(25.7)
UCITS	234.5	244.8	(10.3)
Investment property and property funds	0.0	0.0	0.0
Property-related loans and receivables	0.0	0.0	0.0
Derivative instruments	0.0	0.0	0.0
Other loans and receivables	0.0	0.0	0.0
Total	2,786.4	2,632.2	154.2

Analysis of the bond portfolio of the Insurance division at 30 June 2020:

Rating	Bond portfolio at market value (in € millions)	%
AAA	51.9	4.3%
AA	1,037.0	85.0%
A	95.0	7.8%
BBB	36.5	3.0%
<BBB	0.0	0.0%
Total	1,220.4	100.0%

Analysis of the asset portfolio of CNP Assurances at 30 June 2020 (assets at cost and excluding unit-linked portfolios):

Assets at cost, excluding unit-linked portfolios (IFRS, in € millions)*	30 June 2020
Bonds and other fixed-income securities	243,234
Equities and other variable-income securities	20,086
UCITS and other mutual funds	55,662
Investment property and property funds	11,582
Property-related loans and receivables	6,239
Derivative instruments	716
Other loans and receivables	3,634
Total	341,154

Analysis of the bond portfolio of CNP Assurances at 30 June 2020:

Rating	Bond portfolio at market value (excluding unit-linked portfolios, in € millions)	Bond portfolio at market value (unit-linked portfolios, in € millions)	Bond portfolio at market value (in € millions)	Change
AAA	15,726.5	124.3	15,850.8	6.0%
AA	125,588.7	242.8	125,831.5	48.0%
A	47,545.4	4,514.8	52,060.2	19.9%
BBB	46,617.4	2,016.9	48,634.3	18.6%
<BBB	4,682.0	12,130.5	16,812.4	6.4%
NR	2,209.3	609.7	2,819.0	1.1%
TOTAL	242,369.19	19,638.96	262,008.15	100.0%

Technical risks, or insurance liability risks

Through their Retirement, Personal Risk, Property & Casualty and Health insurance businesses, CNP Assurances and La Banque Postale's insurance subsidiaries are exposed to underwriting and catastrophe risks associated with changes in their insured business portfolios.

Underwriting risk is defined as the risk which the insurer takes in writing insurance contracts for individuals or legal entities and which results 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 expertise among employees and in the sales networks;
- ▶ failure to comply with limits.

Underwriting risk encompasses the following risks:

- ▶ **mortality risk:** the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend and/or volatility of mortality rates, when a rise in these rates leads to a rise in the value of insurance commitments;
- ▶ **longevity risk:** the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend and/or volatility of mortality rates, when a fall in these rates leads to a rise in the value of the insurance commitments;
- ▶ **disability risk:** the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend and/or volatility of disability, sickness and morbidity rates;
- ▶ **surrender risk:** the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend and/or volatility of early termination, expiry, renewal and surrender rates;
- ▶ **expense risk:** the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend and/or volatility of expenses incurred in managing insurance and reinsurance contracts;
- ▶ **revision risk:** the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend and/or volatility of revision rates applicable to annuities owing to a change in the legal environment or health of the insured party;
- ▶ **premium and reserve risk:** the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the date of occurrence, frequency and severity of insured events, as well as the date and amount of claim settlements;
- ▶ **catastrophe risk:** the risk of loss, or of an unfavourable change in the value of insurance commitments, resulting from significant uncertainty of pricing and provisioning assumptions owing to extreme or irregular events.

Through their underwriting policies, the insurance subsidiaries (CNP Assurances as well as the insurance entities) define their requirements in terms of underwriting risk controls, management and monitoring in line with the characteristics of the portfolios insured. The applicable rules aim to hedge the expected level of technical risk. Underwriting limits have been defined for each risk.

Operational and non-compliance risks

Operational and non-compliance risks correspond to unforeseen losses resulting from inadequate or flawed internal processes, personnel, internal systems or external events. Operational risk includes legal risks, but does not include either risks stemming from strategic decisions or reputation risks.

Operational risks include:

- ▶ **internal fraud risk;**
- ▶ **external fraud risk;**
- ▶ **risks in terms of employment practices and occupational health and safety;**
- ▶ **risks concerning customers, products and business practices;**
- ▶ **property damage risk;**
- ▶ **business interruption or system malfunction risks;**
- ▶ **risks related to the execution, delivery and management of processes.**

Other risks

Other risks concern those related to internal and external factors which may have a significant impact on the strategy and on the achievement of the objectives of the insurance subsidiaries or of another entity.

They include the following risks:

- ▶ **risks related to changes in regulations;**
- ▶ **retail risk**, which is the risk of losses due to a retail strategy which does not enable the goals initially set in the business plan to be achieved;
- ▶ **reputation risk;**
- ▶ **emerging risks;**
- ▶ **partnership risk**, which is the risk of losses due to a partnership strategy which does not enable the goals initially set to be achieved;
- ▶ **model risk.**

4.7.2 Additional oversight of La Banque Postale as a conglomerate

As a financial conglomerate, La Banque Postale is subject to additional oversight pursuant to European Directive no. 2002/87/EU and EC Regulation no. 342/2014, transposed into French law by the government order of 3 November 2014.

Upon its incorporation in 2006, La Banque Postale was identified as the head of a financial conglomerate by the competent authorities. Since 1 January 2014, La Banque Postale has benefited from the exemption provided for in Article 49 of EU Regulation no. 575/2013, whereby it may choose not to deduct from its capital on a consolidated basis its holdings in the insurance companies CNP Assurances, La Banque Postale Prévoyance, La Banque Postale IARD and La Banque Postale Assurance Santé, and to treat them as weighted exposures, provided that its risk management and internal control procedures are satisfactorily integrated.

Governance arrangements at La Banque Postale are described in Chapter 2, "Corporate Governance", while risk management and internal control are discussed in Chapter 4, "Risk Factors".

Governance arrangements at CNP Assurances are described in its 2019 Universal Registration Document, in Chapter 3, "Corporate governance", while risk management and internal control are discussed in Chapter 4, "Risk factors and risk management".

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

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

In this respect, La Banque Postale, its insurance subsidiary CNP Assurances, and its Insurance division entities (La Banque Postale Assurances IARD [LBPAI], La Banque Postale Prévoyance [LBPP], La Banque Postale Assurance Santé [LBPAS]), the asset management firm La Banque Postale Asset Management (LBP AM) and the credit institution and investment firm subsidiaries, are subject to additional oversight in the following areas:

- ▶ capital adequacy;
- ▶ concentration risk supervision;
- ▶ intragroup position supervision.

4.7.2.1 Insurance risk monitoring and governance, and additional oversight of the conglomerate

In accordance with additional oversight regulations applicable to conglomerates, La Banque Postale has stepped up its overall risk governance by putting in place an Insurance Strategy Committee (CSA), which is a Group Management Committee. Strategic issues relating to additional oversight provisions are managed by the Conglomerate Committee which reports to the Insurance Strategy Committee.

Insurance risks are monitored by:

- ▶ the Insurance Risk Committee for La Banque Postale Group's Insurance division subsidiaries, as well as by the Group Risk Management Committee (see Section 4.7.1 "Insurance risks");
- ▶ the Conglomerate Committee for CNP Assurances, with the Committee providing specific, cross-organisational oversight. The Conglomerate Committee meets twice a month and includes personnel from the financial and internal control functions of each entity;
- ▶ the Group Risk Management Committee regularly reviews issues relating to insurance risks arising in the insurance business.

The Conglomerate Committee met three times in first-half 2020 and reviewed all internal control-related issues, including:

- ▶ 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/TF system.

These committees provide a platform for discussions, thereby ensuring additional oversight.

A summary is presented to the Group Risk Management Committee, on:

- ▶ capital ratios for insurance entities;
- ▶ monitoring of the conglomerate's concentration risk broken down by major beneficiary.

4.7.2.2 Capital adequacy of the conglomerate

The update to the Group's internal standard on financial conglomerates concerned the additional oversight provision applicable to La Banque Postale as a financial conglomerate. It was approved by the Risk Management Rules Validation Committee in May 2020 and applies from the same year.

At 31 December 2019, the capital of the financial conglomerate meets the solvency requirements for banking and insurance activities.

<i>(in € millions)</i>	31 December 2019	30 June 2019	30 June 2018
Total capital of the financial conglomerate	13,479	12,730	12,458
Regulatory requirement for regulated entities	9,234	8,910	8,203
Capital surplus or shortfall	4,244	3,820	4,256

4.7.2.3 Monitoring of concentration risk

La Banque Postale must ensure that its information is complete and comprehensive to provide oversight of concentration risk. La Banque Postale has all the information required to monitor concentration risk.

In accordance with oversight requirements for conglomerates, La Banque Postale is responsible for identifying and monitoring risk concentrations using a specific risk management procedure. La Banque Postale monitors concentration risk that may arise on exposures held by its entities regarding a given counterparty.

4.7.2.4 Monitoring of intragroup position risk

La Banque Postale monitors intragroup positions between its insurance entities and credit institutions.

Intragroup exposure is limited to the guarantees provided by CNP Assurances or its subsidiaries (CNP Caution) in the real estate loans business and the amount of fees received. There are no refinancing dependencies (senior or subordinated) between the two sectors.

4.8 OTHER RISKS

4.8.1 Legal and tax risks

The Group Legal Department has a dual role in terms of managing legal risk. It advises La Banque Postale's departments, enabling them to measure the legal risk inherent to their activities, and it also defends La Banque Postale's interests.

Legal risk is managed across La Banque Postale Group through a Legal Department at the level of the Group. Given that the subsidiaries' legal officers report to the Deputy Head of La Banque Postale Group's Legal Department, the Legal Department provides consolidated reporting and management of major legal risks that could impact the subsidiaries.

The Group Legal Department also contributes to the work performed by La Banque Postale's various committees:

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 in progress and the provisions to be booked in this respect.

The preliminary enquiry – launched at the time of the ACPR's investigation and resulting in a penalty handed down on 21 December 2018 – has been classified.

On 29 January 2020, the Supreme Court reversed the decision of the Paris Court of Appeal of 21 December 2017, which had upheld the decision by the Competition Authority (of 20 September 2010) to fine 11 French retail banks and Banque de France for entering into an agreement on cheque imaging 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, a significant impact on the financial position or profitability of the Company and/or Group.

La Banque Postale's tax risks are managed by the Tax Department which reports to the bank's Finance Department. This Department manages tax matters relating to La Banque Postale and provides centralised tax advice for all of La Banque Postale's different business lines and subsidiaries. It helps these different stakeholders prevent and control tax risks.

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

4.8.2 Non-compliance risk

4.8.2.1 Supervision of non-compliance risk management procedures

Definition

Non-compliance risk is defined by the government order of 3 November 2014 as *“the risk of legal, regulatory or disciplinary sanctions, or significant financial loss or 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.”*

Through Article L. 612-1 of the French Monetary and Financial Code, the legislator grants the regulator 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 [...]”*

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 risks also include risks associated with money laundering and the financing of terrorism.

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.

Two committees focus on the governance of this risk: the La Banque Postale AML/TF Committee and the Group AML/TF Committee.

4.8.2.2 Non-compliance risk procedure

As with operational risk, the procedure for managing non-compliance risk is based on the principle of accountability of businesses for the identification, measurement, hedging and monitoring of their risks.

In terms of managing non-compliance risk (excluding AML/TF), La Banque Postale has set up group-level coordination to take account of its subsidiaries.

The system is based on a network of risk correspondents within the different subsidiaries, as defined in La Banque Postale Group's Compliance Charter.

This network, coordinated and managed by the Compliance Department and the Customer Protection and Ethics Department, carries out the main non-compliance risk management tasks through:

- monitoring commercial and professional documentation;
- product governance, particularly the review of new products and significant transformations, in accordance with the government order of 3 November 2014;
- identifying and monitoring the entity's non-compliance risks;
- analysing complaints;
- the "Customer protection" questionnaire.

This system also covers ethics and anti-corruption and, for the subsidiaries concerned, investment services compliance. The Compliance Department also manages the system for combating money laundering and the financing of terrorism.

Beyond these formal reviews, the correspondents are regularly invited by the Customer Protection and Ethics Department to attend coordination meetings in order to ensure the sharing and flow of information, and annually to a Compliance seminar.

4.8.2.3 Action by the Compliance Department to ensure customer protection and investment services compliance

Customer protection

The system for managing 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 they perform and the transactions they handle are executed in accordance with the expected procedures and the level of quality required, while taking into account customers' interests. This principle relies on the close involvement of managers.

Similarly, all employees must ensure that each project they work on is managed in compliance with La Banque Postale Group's systems and internal rules with regard to customer protection.

Customer protection has always been a primary concern for La Banque Postale. The Group has a system which aims to manage the associated risks as effectively as possible and it seeks to ensure that the system is adapted to its particular requirements.

La Banque Postale's organisation allows potential or known risks to be identified, whether upstream through regulatory monitoring, or via feedback through the analysis of complaints and control results.

It has implemented a management system for this risk based on three departments: the Regulatory Monitoring Department within the Legal Department and the Compliance and Customer Protection Policy Departments within the Compliance Department.

The Compliance Customer Protection Department ensures implementation of the procedure provided for by Article 35 of the government order of 3 November 2014 by preparing and coordinating the Product Review Committee. This committee meets to review all new products and major changes at La Banque Postale. It is chaired by the Head of Compliance.

The Compliance Customer Protection Department ensures that the messages conveyed in advertising media are consistent with La Banque Postale's values (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, which is managed with a centralised tool. It is updated at least once a year by the Group entities exposed to this risk. To manage mapping, the Department relies on the leadership of the entities' Compliance correspondents within the framework of the Coordination Committees.

The Department also handles customer complaints forwarded by supervisors and coordinates the Compliance and Claims Control group. This group brings together all of the Compliance correspondents of the business lines in question to define and oversee 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).

Investment services compliance

The investment services compliance control system is managed by the Head of Compliance for Investment Services (CCSN), assisted by the Investment Services Compliance Department. This Department assists with the operational application of checks on investment services by individuals working under the authority of, or on behalf of, La Banque Postale, and its relationships with customers and with the markets.

La Banque Postale Group's RCCI/CCSN Committee brings together compliance and internal control managers of subsidiaries providing investment services. It ensures that positions taken within La Banque Postale Group in terms of investment services are consistent.

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 procedures in place to detect 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.

The exercise is based on the results of permanent and periodic controls and on incidents.

The non-compliance risk assessment enables the frequency of Level 2 permanent controls of investment services to be adjusted in line with the level of risk.

This risk map feeds into the customer protection risk map for matters concerning customer protection, and La Banque Postale'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 conflicts of interest in its business activities which could compromise customer interests (and/or those of shareholders). 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.

4.8.2.4 Action by the Compliance Department to fight against money laundering and the financing of terrorism

The system to combat money laundering and the financing of terrorism (AML/TF) is implemented by the Financial Security Department (FSD) reporting to the Compliance Department. It is deployed within the La Poste Network and 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/TF and for regulatory AML/TF documentation and training.

It manages the alerts issued by the La Poste Network and the alert tools.

It helps coordinate and define training for La Banque Postale's AML/TF organisation, to which it also lends its expertise. It ensures that the system is consistent throughout La Banque Postale Group with regard to the classification of AML/TF risks and consolidated reporting.

The Financial Security Department is also responsible for managing relations with Tracfin (AML/TF) and with the Treasury (financial penalties and embargoes) at national level.

To carry out its work, the Financial Security Department has the following dedicated resources:

AML Department

► The AML Department consists of 14 Tracfin informant officers (DCT) and seven AML units.

The AML units in the Financial Centres (covering around 60 employees) are responsible for analysing all alerts from Post Offices, Business Centres and Financial Centres, as well as alerts generated by the dedicated AML/TF software package.

After analysing warnings and alerts, AML unit analysts either close the case based on a reasoned opinion or prepare a file for investigation which is sent to the Level 2 AML/TF organisation.

The Tracfin informant officers are the only persons within the organisation (excluding the subsidiaries and branches) authorised to report suspicious transactions 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 screening financial penalty lists with the aid of the screening 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

The Risks and Procedures 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 properly understood, along with a team responsible for modelling Fraud and AML/TF alert scenarios within La Banque Postale Group and the La Poste Network (RLP).

La Poste Network

► The AML/TF system within the La Poste Network (RLP) is based on the Network's Sector Directors for Post Offices and on the Operational Risk Managers in the Financial Centres and 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 raising alerts in respect of anomalies identified as part of Post Office activities that may constitute a money laundering or terrorism financing risk. These alert systems feed into the AML/TF organisation's tools for combating money laundering. The Sector Heads are also responsible for the Know Your Customer (KYC) system, applying the procedures defined by La Banque Postale.

► The Operational Risk Managers in the Financial Centres are responsible for risk management, including risks associated with money laundering and the financing of terrorism. They are responsible for:

- monitoring specific risks related to sensitive customers and the termination of business relationships;
- following up on alerts issued by the various units within the Financial Centres;
- raising awareness among and training Financial Centre staff with the support of the AML/TF units.

The Business Centre Heads of the Commercial Banking organisation 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).

Business Centres

The Business Centre Directors for the Commercial Banking organisation are in charge of raising alerts in respect of anomalies identified within the scope of Business Centre activities that may constitute a money laundering or terrorism financing risk. These alert systems feed into the AML/TF organisation's tools for combating money laundering. The Sector Heads are also responsible for the Know Your Customer (KYC) system, applying the procedures defined by La Banque Postale.

4.8.2.5 Action by the Compliance Department to address ethics risks

Ethics represent the Company's principles and values and are an extension of La Poste's historical values. These values form the basis of its ethical standards and the individual and collective rules of conduct to be applied by every employee.

The Ethics and Corruption Prevention Department includes the functions responsible for ethics, regulatory authorisations, conduct risk and the corruption prevention system.

Ethics and corruption prevention rules are formally set down in the Ethical Conduct Code and its appendices, and in the Anti-Corruption Code of Conduct. The codes are appended to the Internal Rules to ensure that any failure to comply with such rules may be penalised.

They are disseminated using different methods, including via distribution of the Codes and of explanatory and illustrative documents, Intranet, in-class training and e-learning. The aim is to reach all employees at various moments in their career, for example when they first join the Company, take up new duties or take refresher courses.

Ethics

The ethics function defines and disseminates La Banque Postale's ethics rules.

- ▶ These rules are distributed by the network of ethics correspondents in the head office departments, the subsidiaries and the Financial Centres which meet periodically.
- ▶ Any ethics breaches or wrongdoing identified by the control bodies and referred to HR managers and departments for action are escalated and analysed monthly to ensure that the most serious cases are monitored at national level.

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 the French "Sapin II" law no. 2016-1691 of 9 December 2016.

A steering committee which brings together all of the departments and subsidiaries of La Banque Postale Group around the Legal and Compliance functions oversees the implementation of eight components of the ethics and corruption prevention system within La Banque Postale Group, consisting of the code of conduct, the alert system, risk mapping, third party assessments, accounting procedures, training, disciplinary measures, and system control and assessment.

The operation of the corruption prevention system is monitored by:

- the Corruption Prevention Committee, which consists of those involved in corruption prevention within La Banque Postale Group. This Committee is chaired by the Head of Compliance;
- the Internal Control Coordination and Ethics Committee, which is chaired by the General Secretary, a member of the Executive Board.

Authorisations

The global authorisations system covers insurance authorisation, AMF certification and banking and financial sales authorisation. This system concerns employees of La Banque Postale, La Poste and the Financial Services acting in the name of and on behalf of La Banque Postale. The following issues are handled in particular:

- ▶ functions falling within the remit of each of the authorisations are duly identified and their mapping kept up to date;
- ▶ defined management rules and guidelines are shared and implemented;
- ▶ training and exams leading to employee authorisations are compliant with regulatory requirements;
- ▶ the method for processing each of the authorisations enables a report to be produced if requested by the regulator.

From an operational standpoint, the three types of authorisation are processed by the National Assurance and Accreditation Centre (*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 from several sources has been implemented. It draws on financial and extra-financial ratings, complaints, analyses of disputes, customer and social media surveys, fraud analyses and penalties, and is rounded out by independent analyses of similar issues encountered by peers.

4.8.2.6 Action of the Legal Department in terms of regulatory monitoring

Non-compliance risk management is organised based on La Banque Postale's regulatory monitoring system. Regulatory monitoring allows the Group to keep abreast of regulations and guidance applicable to its transactions and to inform the personnel concerned. It is based on the regulations set out in the government order of 3 November 2014 and is implemented by the Legal Department (notably by its Group Regulatory Monitoring Department).

Within 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). These committees meet twice a month and bring together relevant legal experts, representatives of the business lines and subsidiaries in question and representatives of the Risk, Compliance and Internal Audit Departments.

A summary of regulatory monitoring is provided at each La Banque Postale Group General Management Committee meeting.

4.9 REMUNERATION POLICY

Details of the remuneration policy are set out in Chapter 2 of this Amendment to the Universal Registration Document, in Section 2.1.1 "Remuneration".

4.10 PILLAR III CROSS-REFERENCE TABLE

CRR Article	Subject	Chapter 4 – Risk Management	Page	Or 2019 Universal Registration Document page
90 (CRDIV)	Return on assets		Page 37	
435	Risk management objectives and policies	Operational implementation of the reference framework	Pages 76-78	
436	Scope of application	Capital management and capital adequacy	Page 56	
437	Own funds	Capital management and capital adequacy	Page 61	
438	Capital requirements	Current methodology used to calculate capital requirements Capital management and capital adequacy	Pages 62 <i>et seq.</i>	
439	Exposure to counterparty credit risk	Credit risks	Pages 89 <i>et seq.</i>	
440	Capital buffers	Capital management and capital adequacy	Page 61	
441	Indicators of global systemic importance	Publication of indicators of global systemic importance		Page 115
442	Credit risk adjustments	Credit risks	Pages 90 <i>et seq.</i>	
443	Unencumbered assets	Encumbered/unencumbered assets		Pages 156 <i>et seq.</i>
444	Use of external ratings agencies	Use of external ratings agencies	Page 111	
445	Exposure to market risk	Market risk	Pages 128 <i>et seq.</i>	
446	Operational risk	Operational risks	Pages 138 <i>et seq.</i>	
447	Exposures in equities not included in the trading book	Exposures in equities not included in the trading book	Page 137	
448	Exposures to interest rate risk on positions not included in the trading book	Interest rate risk	Pages 117 <i>et seq.</i>	
449	Exposures to securitisation positions	Securitisation		Pages 144
450	Remuneration policy			Chapter 2, pages 59 <i>et seq.</i>
451	Leverage	Prudential ratios	Pages 66-67	
452	Use of the IRB approach for credit risk	N/A	N/A	
453	Use of credit risk mitigation techniques	Credit risks	Pages 108 <i>et seq.</i>	
454	Use of the advanced measurement approaches for operational risk	N/A	N/A	
455	Use of internal market risk models	N/A	N/A	

4.11 STATEMENT CONCERNING PILLAR III INFORMATION

La Banque Postale publishes information regarding Pillar III in its Amendment to the Universal Registration Document.

La Banque Postale considers that the risk management systems currently in place through the various risk identification, measurement and management procedures (by type, activity and entity), together with its cross-entity and prospective procedures, ensure that the Group has a comprehensive vision of its risk profile and enables it to put in place the appropriate preventive or corrective actions, as necessary.

The preparation of this chapter was coordinated by the financial reporting unit and the information set out herein was produced and documented by the Accounting Department, the Balance Sheet Management Department, the Tax Department (each of which reports 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. Information relating 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 Amendment to the Universal Registration Document.

CONSOLIDATED FINANCIAL STATEMENTS LA BANQUE POSTALE GROUP

INTERIM CONSOLIDATED FINANCIAL STATEMENTS SIX MONTHS ENDED 30 JUNE 2020



BANQUE ET CITOYENNE

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5.1 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

(in € thousands)	Notes	First-half 2020	First-half 2019
Interest income	6.1	2,091,370	2,131,182
Interest expense	6.1	(939,213)	(1,015,278)
Fee and commission income	6.2	1,125,499	1,320,509
Fee and commission expense	6.2	(1,167,452)	(143,925)
Net gain or loss on financial instruments at fair value through profit or loss	6.3	(3,382,309)	52,537
Net gain or loss on financial instruments at fair value through other comprehensive income	6.4	20,684	87,784
Net gain or loss on derecognised financial assets at amortised cost	6.5	297,281	163,828
Income from other activities	6.6	7,555,667	681,010
Expenses from other activities	6.6	(2,075,363)	(412,397)
Impact of the overlay approach (gross impact)	7.3	266,681	(15,449)
NET BANKING INCOME		3,792,845	2,849,801
General operating expenses	6.7	(2,534,127)	(2,232,331)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(175,993)	(120,747)
GROSS OPERATING PROFIT		1,082,725	496,723
Cost of risk	6.8	(227,786)	(41,441)
OPERATING PROFIT		854,939	455,282
Share of profits of equity-accounted companies		662,593	135,881
Net gain or loss on other assets	6.9	(1,579,330)	(358)
Changes in the value of goodwill	6.10	4,577,772	-
PRE-TAX PROFIT		4,515,974	590,805
Income tax	6.11	(314,947)	(162,003)
NET PROFIT		4,201,027	428,803
Non-controlling interests		199,956	7,014
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		4,001,071	421,789

Consolidated Balance Sheet

(in € thousands)	Notes	30 June 2020	31 Dec. 2019
Cash, central banks		31,972,881	22,412,492
Financial assets at fair value through profit or loss	5.1	185,944,577	10,904,637
Hedging derivatives		1,651,001	1,487,805
Financial assets at fair value through other comprehensive income	5.2	231,821,007	15,058,569
Securities at amortised cost	5.3	25,233,970	28,068,011
Loans and advances to credit institutions at amortised cost	5.4	76,596,860	70,634,790
Loans and advances to customers at amortised cost	5.5	121,596,384	113,628,165
Revaluation differences on portfolios hedged against interest rate risks		263,883	206,913
Current tax assets		843,398	363,529
Deferred tax assets		320,024	223,126
Accruals and other assets	5.6	35,411,030	3,314,224
Investments in equity-accounted companies	5.7	560,962	3,592,212
Investment properties	3.5	3,002,541	-
Property, plant and equipment		911,988	791,898
Intangible assets	3.5	2,756,791	836,210
Goodwill	5.8	160,227	160,227
TOTAL ASSETS		719,047,524	271,682,809
Financial liabilities at fair value through profit or loss	5.1	3,340,557	1,587,291
Hedging derivatives		788,343	590,675
Liabilities due to credit institutions	5.9	36,599,667	30,714,912
Customer deposits	5.10	222,213,852	191,015,741
Debt securities		20,045,315	23,739,111
Revaluation differences on portfolios hedged against interest rate risks		850,653	838,638
Current tax liabilities		86,302	12,514
Deferred tax liabilities		1,132,531	142,305
Accruals and other liabilities	5.11	23,207,734	5,272,413
Insurance company technical provisions and shadow accounting reserves	5.12	370,029,882	2,552,048
Provisions	5.13	971,776	337,265
Subordinated debt	5.14	10,887,581	3,096,919
EQUITY	5.15	28,893,331	11,782,976
Non-controlling interests		10,384,409	76,297
Equity attributable to owners of the parent		18,508,922	11,706,679
Share capital		6,585,350	4,631,654
Reserves and retained earnings		8,386,212	5,482,618
Gains and losses recognised directly in equity		(463,711)	811,955
Profit attributable to owners of the parent		4,001,071	780,451
TOTAL LIABILITIES AND EQUITY		719,047,524	271,682,809

Consolidated Statement of Net Profit and Gains and Losses Recognised Directly in Equity

(in € thousands)	First-half 2020	First-half 2019
NET PROFIT	4,201,027	428,803
Items that may be reclassified subsequently to profit or loss		
Translation adjustments	(814,497)	-
Remeasurement of financial assets at fair value through other comprehensive income	2,259	218,051
<i>Revaluation difference for the period</i>	206,773	306,503
<i>Reclassified to profit or loss</i>	(204,514)	(88,452)
Remeasurement of derivatives that hedge items that may be reclassified to profit or loss	27,249	(9,082)
<i>Revaluation difference for the period</i>	1,927	20,444
<i>Reclassified to profit or loss</i>	25,322	(29,526)
Impact of the overlay approach	(266,681)	15,449
Share of gains and losses of equity-accounted companies recognised directly in equity that may be reclassified to profit or loss*	(665,027)	219,760
Deferred taxes	10,626	(61,218)
Items that will not be reclassified to profit or loss		
Actuarial gains and losses on defined-benefit obligations	(195,457)	(51)
Remeasurement of own credit risk on financial liabilities designated as at fair value through profit or loss	5,356	(1,895)
Remeasurement of equity instruments at fair value through other comprehensive income (excluding instruments sold during the period)	(8,626)	331
Share of gains and losses of equity-accounted companies recognised directly in equity that will not be reclassified to profit or loss*	25,239	(1,595)
Deferred taxes	58,494	464
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	(1,821,065)	380,214
NET PROFIT AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	2,379,962	809,017
Of which net profit and gains and losses recognised directly in equity attributable to owners of the parent	2,724,156	797,622
Of which net profit and gains and losses recognised directly in equity attributable to non-controlling interests	(344,194)	11,395

* Amounts presented net of deferred taxes.

Consolidated Statement of Changes in Equity

	Share capital (1)	Additional paid-in capital	Legal reserves, retained earnings and other reserves	Consolidated reserves	Perpetual subordinated notes classified in equity	Gains and losses net of taxes recognised directly in equity		Attributable net profit	Attributable equity	Non- controlling interests	Total consolidated equity
						Actuarial gains and losses	Translation reserves, changes in fair value of financial instruments ⁽²⁾				
<i>(in € thousands)</i>											
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 profit	-	-	566,144	159,764	-	-	-	(725,908)	-	-	-
Dividends	-	-	(326,528)	-	-	-	-	-	(326,528)	(10,757)	(337,285)
Issuance of shares	585,246	214,754	-	-	-	-	-	-	800,000	-	800,000
Remuneration of subordinated notes (equity instruments)	-	-	-	(29,155)	-	-	-	-	(29,155)	-	(29,155)
Sub-total – transactions with owners	585,246	214,754	239,616	130,609	-	-	-	(725,908)	444,317	(10,757)	433,560
Changes in gains and losses recognised directly in equity	-	-	-	-	-	-	157,703	-	157,703	5,013	162,715
First-half 2019 net profit	-	-	-	-	-	-	-	421,789	421,789	7,014	428,803
Sub-total	-	-	-	-	-	-	157,703	421,789	579,491	12,027	591,518
Share in the changes in equity of equity-accounted companies	-	-	-	10,066	-	(1,595)	219,760	-	228,231	-	228,231
Other movements	-	-	7	423	-	(50)	1	-	380	163	543
IFRS equity at 30 June 2019	4,631,654	231,473	2,242,209	2,427,549	-	(37,001)	883,492	421,789	10,801,164	120,545	10,921,710
Issues/Redemptions of subordinated notes (equity instruments)	-	-	-	-	744,000	-	-	-	744,000	-	744,000
Sub-total – transactions with owners	-	-	-	-	744,000	-	-	-	744,000	-	744,000
Changes in gains and losses recognised directly in equity	-	-	-	-	-	-	22,880	-	22,880	(1,333)	21,546
Second-half 2019 net profit	-	-	-	-	-	-	-	358,662	358,662	(1,714)	356,949
Sub-total	-	-	-	-	-	-	22,880	358,662	381,542	(3,047)	378,495
Effect of acquisitions and disposals on non-controlling interests	-	-	-	(48)	-	-	-	-	(48)	45	(3)
Share in the changes in equity of equity-accounted companies	-	-	-	(2,260)	-	(3,990)	(51,787)	-	(58,037)	-	(58,037)
Other movements	-	-	-	(160,400)	96	2,198	(3,836)	-	(161,942)	(41,246)	(203,188)
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
Appropriation of 2019 net profit	-	-	288,930	491,521	-	-	-	(780,451)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	(139,706)	(139,706)
Issuance of shares	1,953,696	14,643	-	2,058,682	-	-	-	-	4,027,021	3,380	4,030,401
Remuneration of subordinated notes (equity instruments)	-	-	-	(33,541)	-	-	-	-	(33,541)	(11,240)	(44,781)
Sub-total – transactions with owners	1,953,696	14,643	288,930	2,516,662	-	-	-	(780,451)	3,993,480	(147,566)	3,845,914
Changes in gains and losses recognised directly in equity	-	-	-	-	-	-	(645,051)	-	(645,051)	(618,873)	(1,263,924)
First-half 2020 net profit	-	-	-	-	-	-	-	4,001,071	4,001,071	199,956	4,201,027
Sub-total	-	-	-	-	-	-	(645,051)	4,001,071	3,356,021	(418,917)	2,937,103
Share in the changes in equity of equity-accounted companies	-	-	-	(25,717)	-	25,997	(663,708)	-	(663,428)	(1,159)	(664,587)
Effect of acquisitions and disposals on non-controlling interests	-	-	-	79,058	-	(964)	996	-	79,090	(121,111)	(42,022)
Effect of changes in consolidation scope ⁽³⁾	-	-	-	(2,837)	-	(84,124)	86,961	-	-	10,996,566	10,996,566
Other movements ⁽⁴⁾	-	-	-	32,951	(96)	(141)	4,367	-	37,081	299	37,380
IFRS equity at 30 June 2020	6,585,350	246,116	2,089,882	5,306,214	744,000	(98,026)	(365,685)	4,001,071	18,508,922	10,384,409	28,893,331

(1) At 30 June 2020, La Banque Postale's capital consisted of 80,309,149 shares with a par value of €82.

(2) Gains and losses recognised directly in equity include gains and losses on translating foreign operations and concern the subsidiaries of the CNP Assurances and AEW SA groups.

(3) The effects at 30 June 2020 of integrating CNP Assurances are presented in note 3 "Business combinations".

(4) Other movements mainly concern NCI puts with a €36 million positive impact on Group equity at 30 June 2020 and a €1 million negative impact on non-controlling interests.

Consolidated Statement of Cash Flows

The statement of cash flows is presented using the indirect method.

Cash flows from investing activities represent cash flows from the acquisition and disposal of shares in consolidated companies, property, plant and equipment and intangible assets.

Cash flows from financing activities correspond to cash flows from structural financial transactions involving equity, subordinated debt and the acquisition of non-controlling interests.

Cash flows from operating activities consist of all cash flows that fall outside the above two categories. They correspond to La Banque Postale Group's revenue-generating activities.

Income taxes paid are presented in full in cash flows from operating activities.

(in € thousands)	First-half 2020	First-half 2019
Pre-tax profit	4,515,974	590,805
+/- Net depreciation and amortisation of property, plant and equipment and intangible assets	357,488	120,742
- Changes in goodwill and impairment of other non-current assets	(4,577,588)	-
+/- Net changes in provisions and impairment charges	298,659	(89,204)
+/- Net changes in insurance technical provisions	(3,993,892)	-
+/- Share of profits of equity-accounted companies	(662,593)	(135,881)
+/- Net losses/gains on investing activities	1,516,207	358
+/- Other movements	5,076,903	1,205,467
= Total of non-cash items included in pre-tax profit and other adjustments	(1,984,816)	1,101,482
+/- Net cash from/used in transactions with credit institutions	2,777,612	5,587,961
+/- Net cash from/used in customer transactions	14,862,792	(8,375,427)
+/- Net cash from/used in other transactions impacting financial assets or liabilities	(6,559,350)	5,291,137
+/- Net cash from/used in other transactions impacting non-financial assets or liabilities	(1,997,661)	(470,822)
- Taxes paid	(400,479)	15,992
Net increase (decrease) in assets and liabilities from operating activities	8,682,914	2,048,841
NET CASH FROM/USED IN OPERATING ACTIVITIES (A)	11,214,073	3,741,128
+/- Net cash from/used in sales and purchases of financial assets and equity investments	1,207,673	(252,514)
+/- Net cash from/used in sales and purchases of investment property	13,186	-
+/- Net cash from/used in sales and purchases of property, plant and equipment and intangible assets	(133,297)	(145,902)
NET CASH FROM/USED IN INVESTING ACTIVITIES (B)	1,087,562	(398,416)
+/- Net cash from/used in transactions with shareholders	(181,108)	(366,440)
+/- Other cash flows from/used in financing activities	699,140	(20,184)
NET CASH FROM/USED IN FINANCING ACTIVITIES (C)	518,032	(386,624)
Effect of changes in exchange rates on cash and cash equivalents (D)	(344)	-
Net increase (decrease) in cash and cash equivalents (A+B+C+D)	12,819,323	2,956,088
Opening cash and cash equivalents	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
Closing cash and cash equivalents	34,425,064	19,450,185
Cash, central banks (assets and liabilities)	31,972,881	3,341,497
Accounts (assets and liabilities) and overnight borrowing and lending with credit institutions	2,452,183	16,108,688
CHANGE IN NET CASH AND CASH EQUIVALENTS	12,819,323	2,956,088

5.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 LEGAL AND FINANCIAL FRAMEWORK

1 Significant events of the period

1.1 Creation of a large public financial group

The transactions to create a large public financial group were completed on 4 March 2020. Following these transactions, La Banque Postale now holds 62.13% of the capital of CNP Assurances. The transactions and their effects on the consolidated financial statements at 30 June 2020 are presented in note 3 “Business combinations”.

1.2 Covid-19 impacts

Information about the impact of the Covid-19 crisis on La Banque Postale Group and the resulting effects on the consolidated financial statements are presented in note 4 “Covid-19 impacts and exposure to credit risks”.

1.3 Buyout of minority interests in La Banque Postale Assurances IARD

On 7 April 2020, La Banque Postale bought out Groupama’s 35% minority interest in La Banque Postale Assurances IARD, giving it 100% of the capital of the company which is already fully consolidated. The transaction consisted of acquiring 9,399,950 La Banque Postale Assurances IARD shares from Groupama at a cost of €167 million. It corresponded to the exercise of an NCI put recorded in liabilities in La Banque Postale’s consolidated balance sheet at 31 December 2019 for an amount of €170 million. The €3 million difference between these two amounts had a positive impact on equity.

1.4 Combination of the fixed income and insurance-related asset management businesses of the subsidiaries of La Banque Postale and Natixis

On 28 June 2020, La Banque Postale and Natixis signed an agreement to combine their fixed income and insurance-related asset management businesses – as announced in December 2019 – to create a European leader with over €415 billion in assets under management for large institutional clients (at end-May 2020). Subject to the necessary regulatory approvals being received, the two businesses will be combined in the fourth quarter of 2020 within a joint entity. The new entity will be 45%-owned by La Banque Postale (through its subsidiary LBP Asset Management) and 55% by Natixis (through its subsidiary Natixis Investment Managers) and will have a balanced governance structure. The transaction has no impact on La Banque Postale’s consolidated financial statements at 30 June 2020.

1.5 Subordinated notes issue by CNP Assurances

On 30 June 2020, CNP Assurances issued €750 million worth of subordinated notes due 30 June 2051 and paying interest at 2.5% until 30 June 2031. The issue qualifies as debt under IFRS. The notes are rated BBB+ by Standard & Poor's and A3 by Moody's.

2 Post-balance sheet events

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Regulatory framework

Regulation (EC) No. 1606/2002 of 19 July 2002 requires companies whose debt securities are listed on a regulated market to apply the accounting basis established by the International Accounting Standard Board (IASB). Accordingly, since 1 January 2007, La Banque Postale Group has prepared its consolidated financial statements under International Financial Reporting Standards (IFRS) as approved by the European Union (carve-out version providing for certain exceptions to the application of IAS 39 to portfolio hedging transactions).

The full set of standards adopted in the European Union can be consulted on the European Commission's website at the following address:

https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting_en

La Banque Postale also applies regulation 2016-09 of 2 December 2016 of the French accounting standards authority (*Autorité des normes comptables* – ANC), which transposes into French law some of the provisions of European Directive 2013/34 relating to the transactions to be disclosed in the notes to the consolidated financial statements in accordance with IFRS.

The consolidated financial statements are presented in thousands of euros.

Presentation of the financial statements

In the absence of a model imposed by the IFRS framework, the Group uses the financial statement templates proposed in ANC recommendation No. 2017-02 of 2 June 2017. La Banque Postale has chosen to present disclosures that are specific to the insurance business in the notes to the consolidated financial statements, in line with the option proposed in the recommendation.

Statement of compliance

The condensed interim consolidated financial statements have been drawn up in compliance with IAS 34 – *Interim Financial Information*. They include selected notes explaining material events and transactions that enable users of the financial statements to understand the changes that have occurred in the Group's financial position and performance since the last annual consolidated financial statements for the year ended 31 December 2019. The condensed interim consolidated financial statements do not include all the information that would be disclosed in annual consolidated financial statements prepared in accordance with IFRS. They should be read together with the consolidated financial statements for the year ended 31 December 2019.

These condensed interim consolidated financial statements are the responsibility of the Executive Board, which approved them on 28 July 2020.

Main accounting policies

The accounting methods used by the Group in the condensed interim consolidated financial statements are identical to those used in the consolidated financial statements for the year ended 31 December 2019, with the exception of the amendments to IFRSs applied by the Group from 1 January 2020 (see note 2.2 below).

2.2 Amendments applied by the Group from 1 January 2020

Compared with the consolidated financial statements for the year ended 31 December 2019, the following amendments applicable in the European Union from 1 January 2020 have been adopted by the Group:

Amendments	Date adopted by the EU
Amendments to the conceptual framework in IFRS	29 November 2019
Amendment to IAS 1 and IAS 8 – <i>Definition of Material</i>	29 November 2019
Amendment to IFRS 9, IAS 39 and IFRS 7 – <i>Interest Rate Benchmark Reform, phase 1*</i>	15 January 2020
Amendment to IFRS 3 – <i>Business Combinations</i>	22 April 2020

* *Early adopted at 31 December 2019.*

For the application of IFRS 16 – *Leases*, at its meeting on 26 November 2019, the IFRS IC confirmed the approach to be used to determine the term of cancellable leases that continue indefinitely until either party to the contract gives notice to terminate. The IFRS IC considered that an assessment should be made of the reasonably certain expectation of the period during which the underlying asset will be used, taking into account the broader economics of the contract and not only contractual termination payments. If either party has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated.

At 31 December 2019, La Banque Postale was reviewing the lease terms used for these leases. The review was completed as of 30 June 2020: La Banque Postale has few cancellable leases that continue indefinitely and the practice currently applied to these leases is considered to be in accordance with the IFRS IC's interpretation.

The amendment to IFRS 9, IAS 39 and IFRS 7 – *Interest Rate Benchmark Reform* (September 2019 IBOR amendment) was early adopted in the consolidated financial statements at 31 December 2019. Within the framework of the new regulation on interest rate benchmarks intended to replace interbank offered rates (IBORs) with new rates, the amendment provides temporary relief from applying specific hedge accounting requirements, notably concerning hedge effectiveness. Relief would be granted for as long as the IBORs still exist and the hedging contracts are not modified, so as to avoid hedge accounting being terminated solely as a result of uncertainties concerning the timing and method of transition to the new benchmarks. The amendment is applicable until the uncertainties about the cash flows disappear or the hedging relationship is terminated.

The other standards and interpretations applicable from 1 January 2020 did not have a material impact on La Banque Postale Group's financial statements at 30 June 2020.

The Group has applied the transitional provisions of IFRS 9 concerning hedge accounting from 1 January 2020.

IFRS 9 applies to all hedging relationships except for fair value hedges of financial assets and liabilities exposed to interest rate risk (fair value portfolio hedges). For these hedges and as allowed under IFRS 9, the Group continues to apply European Commission regulation No. 2086/2004 adopting IAS 39, with the exception of certain provisions allowing certain portfolio hedging transactions carried out for asset-liability management purposes (notably hedges of customer demand deposits) to be qualified as fair value hedges.

As a general principle, the hedge accounting provisions of IFRS 9 are applicable prospectively, without restating prior period comparatives. As an exception to this principle, the requirement to recognise the time value of options in the cost of the hedge (through other comprehensive income) is applicable retrospectively when only the change in the option's intrinsic value is designated as the hedging instrument.

At 1 January 2020, the Group did not hold any options for which only the change in the intrinsic value was designated as the hedging instrument and not the change in its time value.

All designated hedging relationships recognised under IAS 39 have continued to be designated as hedging relationships under IFRS 9. This did not result in any material rebalancing entries and no earnings impact was recorded at 1 January 2020.

Fair value hedging relationships based on currency swaps have been reviewed to exclude the foreign currency basis spread from the designation of the hedging instrument and recognise it as the cost of the hedge in other comprehensive income. As allowed under IFRS 9, this restatement has been applied retrospectively. The impact of these restatements was not material at 1 January 2020; the foreign currency basis spread recognised in other comprehensive income amounts to €98 thousand.

2.3 Standards and amendments not yet applied

The IASB and IFRS IC have issued standards and amendments that were not applicable at 30 June 2020. Standards or amendments published by the IASB but not yet adopted by the European Union will be applicable only once they have been adopted.

Standards and amendments	Date adopted by the EU	Effective date ⁽¹⁾
Amendment to IFRS 16 – <i>Leases: Covid 19-Related Rent Concessions</i>	Not adopted	1 June 2020
Amendment to IFRS 3 – <i>Business Combinations</i>	Not adopted	1 January 2022
Amendment to IAS 16 – <i>Property, Plant and Equipment</i>	Not adopted	1 January 2022
Amendment to IAS 37 – <i>Provisions, Contingent Liabilities and Contingent Assets</i>	Not adopted	1 January 2022
Annual improvements to IFRS (2018-2020 cycle) – IFRS 1, IFRS 9, IAS 41, IFRS 16	Not adopted	1 January 2022
IFRS 17 – <i>Insurance Contracts</i>	Not adopted	1 January 2023 ⁽²⁾

(1) Subject to adoption by the European Union. Applicable in accounting periods beginning on or after the date indicated

(2) Effective date deferred once again, from 1 January 2021 to 1 January 2023.

The amendment to IFRS 16 – *Leases* was published by the IASB on 28 May 2020 in response to the Covid-19 crisis. It provides lessees (but not lessors) with relief from the requirement to assess whether a Covid-19-related rent concession is a lease modification.

In practice, it means that the rent concession can be recognised in profit or loss for the period (as a negative variable lease payment) rather than being treated as a lease modification and recognised over the remaining lease term. This has no impact on the right-of-use asset which continues to be depreciated in the normal way. The amendment has no impact on La Banque Postale Group as it is not concerned by rent concessions.

IFRS 17 – *Insurance Contracts* was published by the IASB on 18 May 2017. It is currently due to apply from 1 January 2023, following successive deferrals granted in November 2018 and March 2020, 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 for measuring the value of insurance liabilities is the “Building Block Approach” (BBA), which consists of calculating the sum of three components:

- Fulfilment cash flows;
- A risk adjustment to allow for the uncertainty about the amount and timing of the cash flows;
- A contractual service margin, corresponding to the difference between fulfilment cash inflows and outflows, to be recognised in profit or loss over the service period.

IFRS 17 also proposes two other approaches: a simplified “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 contracts with participating features.

In 2019, La Banque Postale’s IFRS 17 implementation project mainly involved:

- Preparing new financial statement templates complying with IFRS 17;
- Defining the main IFRS 17 methodological options;
- Pursuing quantitative analyses and simulations; and
- Fine-tuning the proprietary IFRS 17 calculation software.

2.4 Use of estimates in the preparation of the financial statements

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

During the preparation of the condensed interim consolidated financial statements, the significant judgements made by Management in applying the Group's accounting methods and the main sources of estimation uncertainty are identical to those that affected the consolidated financial statements (including those of CNP Assurances) for the year ended 31 December 2019.

Since the month of March, the Covid-19 crisis has affected the Group's business and the method of estimating credit and other risks. The main effects of the Covid-19 crisis are presented in note 4.

2.5 Basis 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 of material subsidiaries and associates controlled by the Group or over which the Group exercised significant influence at 30 June 2020. Subsidiaries and associates are excluded from the scope of consolidation when their total assets, net banking income or net profit represents a non-material percentage of the Group's consolidated assets, net banking income or net profit, or due to their long-term financial trajectory.

NOTE 3 BUSINESS COMBINATIONS

3.1 Description of the transaction

The transactions to create a large public financial group were completed on 4 March 2020. The project involved the contribution by the French State and Caisse des Dépôts (CDC) to La Poste, and then by La Poste to La Banque Postale, of their interests in the capital of CNP Assurances, in execution of the binding agreement signed on 31 July 2019 between the French State, CDC, La Poste and La Banque Postale. The result was to make CDC the majority shareholder of La Poste and La Banque Postale the majority shareholder of CNP Assurances.

The process, carried out once the relevant conditions precedent had been fulfilled, was as follows:

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

Following these transactions, La Banque Postale now holds 62.13% of the capital of CNP Assurances.

3.2 Step acquisition

As of the date when control of CNP Assurances was acquired, the fair value of La Banque Postale's previously held interest was €1,933 million, based on CNP Assurances' share price on 4 March 2020 of €13.97.

Remeasurement at fair value of this previously held interest led to the recognition in the income statement of a loss of €1,578 million, under "Net gain or loss on other assets", representing the difference between the stock market value at 4 March 2020 and the shares' carrying amount in the consolidated balance sheet, as determined by the equity method.

(in € thousands)	Acquisition date: 4 March 2020
Acquisition-date fair value of the previously held interest	1,932,560
Loss recognised on remeasurement at fair value of the previously held interest	(1,578,388)

3.3 Net assets of the acquired entity and fair value of the consideration transferred

In accordance with IFRS 3 (revised) – *Business Combinations*, the purchase price was provisionally allocated to the identifiable assets acquired and liabilities assumed and to goodwill. The allocated amounts may be adjusted within twelve months of the business combination if any new information is obtained.

The provisional acquisition-date fair values of the identifiable assets acquired and liabilities assumed are as follows:

(in € thousands)	Footnote	Acquisition date: 4 March 2020
Total fair value of assets acquired (A)		442,162,024
Financial assets at fair value through profit or loss		182,840,718
Financial assets at fair value through OCI		218,206,492
Securities at amortised cost		165,713
Loans and advances to customers at amortised cost		4,068,294
Accruals and other assets		30,042,774
Investment properties		3,078,920
Property, plant and equipment		171,741
Intangible assets		2,680,705
Other assets		906,667
Total fair value of liabilities assumed (B)		420,628,105
Financial liabilities at fair value through profit or loss		1,878,843
Liabilities due to credit institutions		295,697
Customer deposits		12,968,699
Accruals and other liabilities		18,137,420
Insurance company technical provisions and shadow accounting reserves		378,412,478
Subordinated debt		6,988,240
Other liabilities		1,946,728
Fair value of net assets acquired (100% basis) (C = A - B)		21,533,919
Attributable to owners of the parent (D)	(a)	10,537,353
Attributable to non-controlling interests		10,996,566
Fair value of previously held interest (E)	(b)	1,932,560
Acquisition price (fair value of consideration transferred to the vendor) (F)		4,027,021
Provisional goodwill (G = F + E - D)	(c)	(4,577,772)

(a) Net assets attributable to owners of the parent correspond to La Banque Postale's 62.13% interest in CNP Assurances' net assets at fair value (100%) after reclassifying CNP Assurances' perpetual deeply-subordinated notes as "Non-controlling interests" for €1,944 million and after the impact of non-controlling interests in CNP Assurances group subsidiaries for €2,630 million.

The partial goodwill method was used to account for the business combination between La Banque Postale Group and the CNP Assurances group. Under this method and in accordance with IFRS 3 (revised), the acquisition-date components of non-controlling interests in the acquiree that are present ownership interests and entitle their holder to a proportionate share of the entity's net assets in the event of liquidation were not remeasured at fair value. They were measured at an amount corresponding to the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets.

(b) Prior to acquiring control, La Banque Postale Group held 20.15% of CNP Assurances, measured in the separate financial statements of the holding company at €1,339 million. On the date control was acquired, the shares' fair value was €1,933 million.

The additional 41.98% interest in CNP Assurances was acquired through the contribution of 288,262,094 shares with a net book value of €1,968 million by La Poste to La Banque Postale. The contribution was measured based on CNP Assurances' share price of €13.97 at the transaction date, representing an acquisition price of €4,027 million.

In accordance with IFRS 3 (revised), La Banque Postale's total interest in CNP Assurances was therefore measured based on the transaction-date share price of €13.97, for a total interest of €5,960 million.

(c) After identifying all separable assets, the goodwill recognised on acquisition of control amounted to €4,578 million, corresponding to the difference between:

- €5,960 million, representing the sum of the acquisition price of the additional shares (€4,027 million) and the fair value of the previously held interest (€1,933 million); and
- €10,537 million, corresponding to La Banque Postale's share in the net assets acquired at fair value.

This goodwill is recognised in the income statement and presented in note 6.10 "Change in the value of goodwill".

3.4 Main income statement effects in first-half 2020

The contribution to first-half 2020 consolidated net profit of the combined entity was as follows:

(in € thousands)	Amounts recognised in the income statement	Amounts that would have been recognised if the acquisition had taken place on 1 January ^(*)
Net banking income	964,416	1,485,693
Attributable net profit	4,785,758	4,888,329

(*) These data have not been subject to any pro forma restatements. The amounts presented above correspond to net banking income and attributable net profit before eliminating intra-group transactions, determined as if the acquisition had taken place on 1 January 2020.

They correspond to estimates and are not necessarily representative of the amounts that would have been reported if CNP Assurances had been a fully consolidated subsidiary since 1 January 2020.

3.5 Presentation of the main effects of the business combination on the consolidated balance sheet at 30 June 2020

	Balance sheet of La Banque Postale at the acquisition date before consolidating CNP Assurances	CNP Assurances						Other (intra-group eliminations, share issue and loss on CNP Assurances shares based on equity method) ⁽²⁾	Group total at acquisition date	
		Insurance investments	Reinsurers' share of technical provisions	Insurance liabilities	Insurance and reinsurance receivables and payables	Other	Fair value adjustments (1)			Effect of consolidating CNP
(in € thousands)	17,203,134					170		170	17,203,304	
Financial assets at fair value through profit or loss	12,974,432	182,840,718						182,840,718	195,815,150	
Hedging derivatives	1,785,295								1,785,295	
Financial assets at fair value through OCI	14,544,007	218,206,492						218,206,492	232,750,499	
Securities at amortised cost	28,005,298	159,320					6,393	165,713	28,171,011	
Loans and advances to credit institutions at amortised cost	73,253,249					1,722,321		1,722,321	74,975,570	
Loans and advances to customers at amortised cost	117,986,792	2,345,973						2,345,973	120,332,765	
Revaluation differences on portfolios hedged against interest rate risks	305,285								305,285	
Current tax assets	367,729				385,889			385,889	753,618	
Deferred tax assets	256,444				(622,889)	652,641		29,752	286,196	
Accruals and other assets	3,665,926		21,474,464		2,834,557	6,415,166	(681,413)	30,042,774	(452,007)	33,256,693
Deferred participation					4,240			4,240	4,240	
Investments in equity-accounted companies	3,565,598				486,616			486,616	(3,510,948)	541,266
Investment properties		2,408,539					670,381	3,078,920	3,078,920	
Property, plant and equipment	778,871				171,741			171,741	950,612	
Intangible assets	838,346				430,406	2,250,299		2,680,705	3,519,051	
Goodwill	160,227				218,227	(218,227)			160,227	
Total assets	275,690,633	405,961,042	21,474,464		2,834,557	9,211,887	2,680,074	442,162,024	(3,962,955)	713,889,702
Financial liabilities at fair value through profit or loss	1,851,176					1,878,843		1,878,843	3,730,019	
Hedging derivatives	826,100	4,820						4,820	830,920	
Debt securities	24,317,325								24,317,325	
Liabilities due to credit institutions	31,718,483					295,697		295,697	32,014,180	
Customer deposits	193,117,212					12,968,699		12,968,699	206,085,911	
Revaluation differences on portfolios hedged against interest rate risks	945,959								945,959	
Current tax liabilities	29,476				35,444			35,444	64,920	
Deferred tax liabilities	149,000				(121,129)	1,377,833		1,256,704	1,405,704	
Accruals and other liabilities	4,974,913				13,786,417	4,351,003		18,137,420	(327,063)	22,785,270
Insurance company technical provisions	2,551,792			378,207,669			204,809	378,412,478	(124,944)	380,839,326
Provisions	340,586					649,760		649,760	990,346	
Subordinated debt	3,132,633					6,390,136	598,104	6,988,240	10,120,873	
Equity	11,735,978					15,075,010	499,328	15,574,338	2,448,633	29,758,949
Equity attributable to owners of the parent	11,657,532					4,801,953	(224,181)	4,577,772	2,448,639	18,683,943
Non-controlling interests	78,446					10,273,057	723,509	10,996,566	(6)	11,075,006
Total liabilities and equity	275,690,633	4,820		378,207,669	13,786,417	41,523,463	2,680,074	436,202,443	1,996,626	713,889,702

(1) In connection with the business combination between La Banque Postale (LBP) and CNP Assurances (CNP) and in accordance with IFRS 3 – *Business Combinations* (as revised in 2008), the CNP Assurances assets acquired and liabilities assumed have been measured at their acquisition-date fair value.

The difference between the pre-acquisition book values of these assets and liabilities and their acquisition-date fair values is presented in the column “Fair value adjustments” in the above table:

- (a) Fair value adjustment of investment properties measured using the cost model in CNP Assurances’ financial statements.
- (b) Acquisition-date fair value adjustment to CNP Assurances’ intangible assets:
 - i. Acquisition-date fair value of the portfolio of in-force insurance policies (net of the portfolio’s pre-acquisition book value): €1,417 million
 - ii. Fair value of contractual customer relationships: €833 million
- (c) Deferred tax liabilities on fair value adjustments, mainly concerning:
 - i. Portfolio of in-force insurance policies: €741 million
 - ii. Contractual customer relationships: €277 million
 - iii. Investment properties measured using the cost model: €122 million

(2) The €2,449 million impact on equity attributable to owners of the parent corresponds to the €1,968 million share issue by La Banque Postale S.A., fair value adjustments to the newly acquired CNP Assurances shares for €2,059 million, and the net loss of €1,578 million resulting from the remeasurement at fair value of the previously held interest in CNP Assurances.

NOTE 4 COVID-19 IMPACTS AND EXPOSURE TO CREDIT RISKS

In March 2020, the WHO declared that the Covid-19 epidemic had become a pandemic. The French government responded immediately by imposing a lockdown, the closure of non-essential public places and the cancellation of all cultural and sporting events. These measures had serious consequences for the economy, placing many businesses in a precarious cash position.

La Banque Postale mobilised its resources alongside the government to support customers experiencing financial hardship. Several practical initiatives were organised around exceptional government measures to support businesses, including:

- loan repayment holidays of up to six months and waiver of late payment penalties and incidental charges;
- distribution of government-backed loans.

4.1 Repayment holidays

La Banque Postale offered support to its business and professional customers and retail banking customers experiencing financial hardship due to lockdown, the total or partial suspension of their business, or furlough schemes. This support took various forms including repayment holidays of up to six months:

- at the customer's request; or
- at the bank's initiative, in the case of specifically targeted vulnerable customers.

Businesses:

Repayment holidays were granted to businesses and professionals on their medium-/long-term loans and/or lease financing.

As a general principle, repayment of total monthly instalments was unilaterally waived by La Banque Postale for six months (except where this went against the customer's wishes), leading to a six-month extension of the term of the loan without any adjustment of the nominal interest rate. In some cases, the interest accruing during the repayment holiday was also waived.

Retail customers:

Repayment holidays granted to retail customers concerned home loans and consumer finance.

Consumer finance repayment holidays were granted systematically at the customer's request, even when this was not provided for in the finance agreement.

For home loans, repayment holidays were granted at the customer's request or La Banque Postale's initiative, depending on whether or not the customer had experienced a loss of revenue due to the crisis (this was not the case, for example, for public sector workers and pensioners).

The system targeted vulnerable customers whose situation was likely to worsen or whose revenues were likely to be directly affected by the deteriorating economic conditions (for example, traders, craftspeople and self-employed workers). One of the indicators used to identify these customers was where a customer who had previously been up to date with their repayments missed their March instalment.

Accounting treatment of repayment holidays:

The nature and financial impact of a contractual cash flow modification resulting from a repayment holiday are analysed to determine whether the modification qualifies as a substantial modification under IFRS 9.

Where the loan terms are not substantially different (less-than-10% test and/or due to the exceptional and specific nature of the measure), the financial asset is not derecognised but its carrying amount is adjusted to take into account the modified future cash flows, discounted at the original effective rate of interest. The adjustment is recognised immediately in profit. This accounting treatment had no material impact on La Banque Postale in first-half 2020.

4.2 Government-backed loans

On 16 March, the French government announced the launch of a €300 billion government-backed loan scheme that will run until 31 December. La Banque Postale is helping to distribute these loans, which are designed to assist businesses experiencing cash flow problems. No repayments are due in the first year, after which the borrower has the option of repaying the loan over a period of up to five years. The loans are backed by a government guarantee covering 70% to 90% of the principal, interest and incidental fees, depending on the size of the borrower's business. It applies throughout the term of the loan unless the acceleration clause is triggered due to a credit event. The cost of the loan comprises each lender's financing cost (interest rate), without any margin, plus the fee for the government guarantee which is fixed by law.

Accounting treatment of government-backed loans:

Government-backed loans are initially recognised at their fair value plus directly attributable transaction costs.

In light of the scheme's characteristics, which were determined jointly between the government and French banks and are designed to ensure that the banks do not lose out from this economic support measure, La Banque Postale has concluded that the loans' nominal amount is representative of their grant-date fair value.

Government-backed loans are measured at amortised cost in accordance with IFRS 9, and the effective interest rate is determined based on the probable life of the loan. The net guarantee fee is recognised over the probable life of the loan by the yield-to-maturity method using the effective interest rate. The government guarantee is an integral part of the loan agreement and is therefore taken into account in calculating the expected credit loss, because:

- it is mentioned specifically in the loan agreement (and is inherent in this type of agreement);
- it is issued at the same time as the loan agreement and in consideration of the loan;
- based on IFRS 9, it represents a financial guarantee contract to be accounted for jointly with the loan, and not a derivative.

Any adjustment to the net guarantee fee cash flows resulting from a change in the probable term of the loans is accounted for in accordance with IFRS 9.

4.3 Impact of the crisis on the measurement of credit risk

Businesses:

At 30 June 2020, while some sectors and customers immediately experienced severe fall-out from the Covid-19 crisis, La Banque Postale believes that the real economic effects of the pandemic will not be felt until the second half of the year, not least because of the withdrawal of some of the exceptional support measures described above.

To take these factors into account in the interim financial statements, in accordance with the applicable regulatory and accounting provisions, La Banque Postale has adopted a reasonable and reasoned approach to determining provision amounts at 30 June 2020. In other words, efforts have been made not to amplify the effects of the crisis and to rely on the Group Risk Department's expertise and observations concerning the loan book.

On this basis, Commercial Banking cost of risk in first-half 2020 results from:

- The exposure monitoring process and the provisioning decisions made by dedicated committees for assets included on the watchlist and/or that have a deteriorated credit quality (classified in Bucket 2 under IFRS 9) or are identified as impaired (classified in Bucket 3).

- Application at 30 June 2020 of the sector-specific provisioning principles applied at 31 December 2019 concerning the Retail, Automotive and Tourism sectors (classification of the main counterparties in these sectors in Bucket 2 for the application of IFRS 9).
- The decision to adjust the calculation parameters used by La Banque Postale for the determination of statistical provisions, to take into account – in the default probabilities – the effect of an increase in systemic risk in certain customer segments due to Covid-19.

This latter effect had the greatest impact on Commercial Banking cost of risk in first-half 2020. In the case of the Commercial Banking portfolio, the exceptional crisis support measures (repayment holidays, government-backed loans) were not considered as justifying, for a given customer, reclassification in a different bucket or an increase in the provision rate in the absence of any other credit event.

The Covid-19 crisis led to an €86 million increase in Commercial Banking cost of risk for first-half 2020, including €58 million in cross-parameter effects and €28 million in provisions for material loans where there has been a credit deterioration or the credit deterioration has increased as a direct result of the crisis.

Retail customers:

The effects of the Covid-19 crisis are not yet directly observable in La Banque Postale's Retail Banking credit exposures. The crisis is nonetheless expected to have a material impact on the risk profile of the Retail Banking loan book in the coming months.

To recognise the expected effects of the crisis, risk parameters were adjusted in first-half 2020 based on expert advice, by applying a multiplier to the default probabilities used to calculate provisions. The adjustment was applied on a differentiated basis according to customers' socio-economic category (SEC).

The three categories are as follows:

- Customers whose revenue should not be affected or be affected only to a limited extent by the crisis (government employees, pensioners, customers in the high SEC such as engineers and corporate managers).
- Intermediate level private sector employees (technicians, supervisors, etc.) who would have difficulty in making their loan repayments if their revenue declined.
- Customers whose revenue may be significantly affected by the crisis (the self-employed, manual workers, agricultural workers, etc.).

In the case of loans subject to non-contractual payment deferrals due to the Covid-19 crisis (home loans and consumer finance renegotiations above and beyond contractual obligations) and decided at the customer's request or La Banque Postale's initiative, the credit quality of the customers concerned by the deferrals has been considered as having deteriorated. These loans have been reclassified to Bucket 2, with some exceptions, leading to the recognition of a provision for the lifetime expected credit loss.

The structure of Retail Banking exposures in first-half 2020 was largely unaffected by the Covid-19 crisis due to its timing, and there were no material changes in expected credit losses on the Retail Banking loan portfolio at 30 June 2020.

The increased cost of risk for the period was mainly due to the adjustment of default probabilities, based on expert advice, and the reclassification of loans subject to repayment deferrals to Bucket 2, triggering recognition of provisions for lifetime expected credit losses. These two components directly related to the Covid-19 crisis led to a €55.6 million increase in provisions in first-half 2020, including €44.6 million due to an adjustment of default probabilities and €11 million corresponding to the reclassification in Bucket 2 of loans subject to Covid-19 repayment deferrals.

4.4 Exposure to credit risk

○ Concentration of credit risk by economic agent

Financial assets at amortised cost

	30 June 2020			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
Retail customers	68,112,291	3,274,816	1,167,245	72,554,352
Government	99,949,087	10,789	3,142	99,963,018
Central banks	-	-	-	-
Credit institutions	12,317,774	-	43	12,317,817
Finance companies	10,950,486	84,709	151	11,035,346
Non-financial sector companies	26,365,907	1,734,001	446,828	28,546,736
Impairments	(134,825)	(211,361)	(643,869)	(990,055)
Total carrying amount	217,560,720	4,892,954	973,540	223,427,214

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
Retail customers	68,805,749	2,215,526	1,145,285	72,166,560
Government	101,260,426	1,103	807	101,262,336
Central banks	129	-	-	129
Credit institutions	4,505,908	-	-	4,505,908
Finance companies	8,288,530	17,750	24	8,306,304
Non-financial sector companies	25,819,911	871,331	227,925	26,919,167
Impairments	(99,571)	(149,774)	(580,093)	(829,438)
Total carrying amount	208,581,082	2,955,936	793,948	212,330,966

Financial assets at fair value through OCI with recycling

	30 June 2020			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	Total
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
Retail customers	-	-	-	-
Government	129,686,114	41,558	-	129,727,672
Central banks	6,729,940	-	-	6,729,940
Credit institutions	41,442,195	170,952	-	41,613,147
Finance companies	46,103,802	462,082	-	46,565,884
Non-financial sector companies	6,629,214	206,422	-	6,835,636
Total fair value	230,591,265	881,014	-	231,472,279
<i>Of which impairments</i>	<i>(126,346)</i>	<i>(10,585)</i>	<i>-</i>	<i>(136,931)</i>

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
Retail customers	-	-	-	-
Government	4,415,307	-	-	4,415,307
Central banks	-	-	-	-
Credit institutions	8,955,933	9,733	-	8,965,666
Finance companies	178,572	-	-	178,572
Non-financial sector companies	1,112,850	27,964	-	1,140,814
Total fair value	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>

Off-balance sheet (financing commitments and guarantee contracts)

	30 June 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)			
(in € thousands)				
Retail customers	10,740,556	208,485	34,584	10,983,625
Government	6,651,034	1	3	6,651,038
Central banks	-	-	-	-
Credit institutions	2,004,377	-	-	2,004,377
Finance companies	5,159,303	9,993	-	5,169,296
Non-financial sector companies	6,948,859	548,009	3,810	7,500,678
Provisions ⁽¹⁾	34,110	17,440	1,538	53,088
TOTAL	31,470,019	749,048	36,859	32,255,926

(1) Expected or actual losses on off-balance sheet commitments are covered by provisions recorded in liabilities.

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)			
(in € thousands)				
Retail customers	10,918,597	195,803	26,402	11,140,802
Government	5,521,806	-	-	5,521,806
Central banks	-	-	-	-
Credit institutions	1,621,422	100,000	-	1,721,422
Finance companies	2,312,374	-	-	2,312,374
Non-financial sector 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 actual losses on off-balance sheet commitments are covered by provisions recorded in liabilities.

○ Exposure to credit risk – Retail by rating class

Financial assets at amortised cost

(in € thousands)	30 June 2020			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
PD < 1%	57,841,732	819,549	-	58,661,281
1% < PD < 3%	7,424,682	470,005	-	7,894,687
3% < PD < 10%	2,818,476	872,808	-	3,691,284
PD > 10%	27,401	1,112,454	-	1,139,855
Doubtful loans (subject to legal collection procedures)	-	-	1,167,245	1,167,245
TOTAL	68,112,291	3,274,816	1,167,245	72,554,352

(in € thousands)	31 Dec. 2019			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
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 loans (subject to legal collection procedures)	-	-	1,145,285	1,145,285
TOTAL	68,805,749	2,215,526	1,145,285	72,166,560

Off-balance sheet (financing commitments and guarantee contracts)

(in € thousands)	30 June 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)		
PD < 1%	9,551,906	27,764	-	9,579,670
1% < PD < 3%	942,134	45,680	-	987,814
3% < PD < 10%	246,222	39,550	-	285,772
PD > 10%	294	95,491	-	95,785
Doubtful loans (subject to legal collection procedures)	-	-	34,584	34,584
TOTAL	10,740,556	208,485	34,584	10,983,625

(in € thousands)	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)		
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 loans (subject to legal collection procedures)	-	-	26,402	26,402
TOTAL	10,918,597	195,803	26,402	11,140,802

○ Exposure to credit risk – Corporate

Financial assets at amortised cost

	30 June 2020			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	1,350,867	102,934	96	1,453,897
AA	4,764,195	179,186	32,835	4,976,216
A	13,191,193	187,972	294	13,379,459
Other	18,010,138	1,348,618	413,754	19,772,510
TOTAL	37,316,393	1,818,710	446,979	39,582,082

	31 Dec. 2019			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(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

	30 June 2020			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	2,666,792	-	-	2,666,792
AA	8,484,125	-	-	8,484,125
A	21,827,378	38,321	-	21,865,699
Other	19,754,721	630,183	-	20,384,904
TOTAL	52,733,016	668,504	-	53,401,520

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	-	-	-	-
AA	268,174	-	-	268,174
A	289,513	-	-	289,513
Other	733,739	27,964	-	761,703
TOTAL	1,291,421	27,964	-	1,319,385

Off-balance sheet (financing commitments and guarantee contracts)

	30 June 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	438,426	75,000	-	513,426
AA	783,006	84,993	-	867,999
A	5,265,985	393,123	-	5,659,108
Other	5,620,745	4,886	3,810	5,629,441
TOTAL	12,108,162	558,002	3,810	12,669,974

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)		
(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

○ Exposure to credit risk – Government and central banks

Financial assets at amortised cost

	30 June 2020			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	11,230	-	-	11,230
AA	69,598,204	504	-	69,598,708
A	3,871,647	-	779	3,872,426
Other	26,468,006	10,285	2,363	26,480,654
TOTAL	99,949,087	10,789	3,142	99,963,018

	31 Dec. 2019			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(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

Financial assets at fair value through OCI with recycling

	30 June 2020			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	8,677,309	-	-	8,677,309
AA	104,187,003	-	-	104,187,003
A	4,273,127	-	-	4,273,127
Other	19,278,615	41,558	-	19,320,173
TOTAL	136,416,054	41,558	-	136,457,612

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
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

Off-balance sheet (financing commitments and guarantee contracts)

	30 June 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	100,000	-	-	100,000
AA	1,287,575	-	-	1,287,575
A	2,809,882	-	-	2,809,882
Other	2,453,577	1	3	2,453,581
TOTAL	6,651,034	1	3	6,651,038

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)		
(in € thousands)				
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

○ Exposure to credit risk – Credit institutions

Financial assets at amortised cost

	30 June 2020			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	6,530	-	-	6,530
AA	710,086	-	-	710,086
A	5,073,623	-	-	5,073,623
Other	6,527,535	-	43	6,527,578
TOTAL	12,317,774	-	43	12,317,817

	31 Dec. 2019			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
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

Financial assets at fair value through OCI with recycling

	30 June 2020			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
AAA	3,879,395	-	-	3,879,395
AA	9,152,584	-	-	9,152,584
A	19,601,728	-	-	19,601,728
Other	8,808,488	170,952	-	8,979,440
TOTAL	41,442,195	170,952	-	41,613,147

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)		Impaired assets (Bucket 3)	TOTAL
	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)		
(in € thousands)				
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

Off-balance sheet (financing commitments and guarantee contracts)

	30 June 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)			
(in € thousands)				
AAA	-	-	-	-
AA	1,121,000	-	-	1,121,000
A	586,219	-	-	586,219
Other	297,158	-	-	297,158
TOTAL	2,004,377	-	-	2,004,377

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)		Impaired commitments (Bucket 3)	TOTAL
Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)			
(in € thousands)				
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

NOTE 5 NOTES TO THE BALANCE SHEET

5.1 Financial assets at fair value through profit or loss

	30 June 2020				
	Financial assets held for trading	Designated as at fair value	Fair value not SPPI	Assets backing unit-linked contracts	TOTAL
(in € thousands)					
Derivative instruments	1,870,691	-	-	-	1,870,691
interest rate	911,676	-	-	-	911,676
foreign exchange	248,293	-	-	-	248,293
credit	3,081	-	-	-	3,081
equity	707,641	-	-	-	707,641
other	-	-	-	-	-
Debt instruments	10,273,748	7,188,273	74,668,130	50,703,207	142,833,358
Government paper and equivalents	1,722,431	4,629,294	1,739,664	11,880,441	19,971,830
Bonds and other fixed-income securities	8,551,317	2,558,979	17,647,848	7,758,669	36,516,813
UCITS	-	-	55,280,618	31,064,097	86,344,715
Equity instruments	6	-	30,426,302	3,744,178	34,170,486
Equities and other variable-income securities	6	-	30,426,302	3,744,178	34,170,486
Loans and advances	830,775	-	6,239,267	-	7,070,042
Credit institutions	-	-	-	-	-
Customers	830,775	-	6,239,267	-	7,070,042
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS*	12,975,220	7,188,273	111,333,699	54,447,385	185,944,577
Derivative instruments	2,052,186	-	-	-	2,052,186
interest rate	851,885	-	-	-	851,885
foreign exchange	1,184,627	-	-	-	1,184,627
credit	5,990	-	-	-	5,990
equity	-	-	-	-	-
other	9,684	-	-	-	9,684
Debt securities	-	1,288,371	-	-	1,288,371
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	2,052,186	1,288,371	-	-	3,340,557

* Including €173,254 million in insurance assets (see note 7.1).

	31 Dec. 2019				
	Financial assets held for trading	Designated as at fair value	Fair value not SPPI	Assets backing unit-linked contracts	TOTAL
(in € thousands)					
Derivative instruments	884,753	-	-	-	884,753
interest rate	703,340	-	-	-	703,340
foreign exchange	138,553	-	-	-	138,553
credit	42,860	-	-	-	42,860
equity	-	-	-	-	-
other	-	-	-	-	-
Debt instruments	6,649,995	-	1,204,680	-	7,854,675
Government paper and equivalents	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
Investments in non-consolidated companies	-	-	-	-	-
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
equity	-	-	-	-	-
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

➤ **Derivatives held for trading**

(in € thousands)	30 June 2020	
	Assets	Liabilities
Interest rate instruments	911,676	851,885
Futures	-	-
FRAs	-	-
Interest rate swaps	748,063	786,081
Options, caps, floors, collars	163,587	65,804
Other interest rate instruments	26	-
Forex instruments	248,293	1,184,627
Currency futures	248,293	1,184,627
Credit instruments	3,081	5,990
Equity instruments	707,641	-
Other instruments	-	9,684
TOTAL DERIVATIVES HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	1,870,691	2,052,186

(in € thousands)	31 Dec. 2019	
	Assets	Liabilities
Interest rate instruments	703,340	649,750
Futures	-	-
FRAs	-	-
Interest rate swaps	664,774	608,789
Options, caps, floors, collars	38,566	40,961
Other interest rate instruments	-	-
Forex instruments	138,553	62,832
Currency futures	138,553	62,832
Credit instruments	42,860	58,458
Equity instruments	-	-
Other instruments	-	11,565
TOTAL DERIVATIVES HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	884,753	782,605

5.2 Financial assets at fair value through other comprehensive income

(in € thousands)	30 June 2020							
	Fair value				Impairments			
	B1	B2	B3	Total	B1	B2	B3	Total
Financial assets at fair value through OCI without recycling								348,728
Equity instruments								348,728
- Equities and other variable-income securities								110,977
- Other securities held as long-term investments								1,480
- Investments in non-consolidated companies								236,272
Financial assets at fair value through OCI with recycling	230,591,265	881,014	-	231,472,279	(126,346)	(10,585)	-	(136,931)
Debt instruments	230,591,265	881,014	-	231,472,279	(126,346)	(10,585)	-	(136,931)
- Government paper and equivalents	127,651,386	-	-	127,651,386	(60,566)	-	-	(60,566)
- Bonds and other fixed income securities	102,939,879	881,014	-	103,820,893	(65,780)	(10,585)	-	(76,365)
Loans and advances to credit institutions	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI*	-	-	-	231,821,007	-	-	-	(136,931)

* Including fair value of €218,003 million and impairments of €131 million related to the insurance business (see note 7.1).

(in € thousands)	31 Dec. 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 as long-term investments								1,444
- Investments in non-consolidated companies								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 equivalents	4,104,150	-	-	4,104,150	(422)	-	-	(422)
- Bonds and other fixed income securities	10,558,512	37,697	-	10,596,209	(2,857)	(737)	-	(3,594)
Loans and advances to credit institutions	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI	-	-	-	15,058,569	-	-	-	(4,016)

➤ **Equity instruments at fair value through other comprehensive income without recycling**

(in € thousands)	30 June 2020	
	Fair value	Unrealised gains/losses
Equities, other variable-income securities and other securities held as long-term investments	112,456	886
Investments in non-consolidated companies	236,272	52,092
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITHOUT RECYCLING	348,728	52,978
Tax		(1,375)
Gains and losses recognised directly in OCI on equity instruments at fair value through OCI without recycling (net of taxes)		51,603

(in € thousands)	31 Dec. 2019	
	Fair value	Unrealised gains/losses
Equities, other variable-income securities and other securities held as long-term investments	112,421	850
Investments in non-consolidated companies	245,789	61,176
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITHOUT RECYCLING	358,210	62,026
Tax		(1,651)
Gains and losses recognised directly in OCI on equity instruments at fair value through OCI without recycling (net of taxes)		60,375

Investments in equity instruments derecognised during the period

(in € thousands)	30 June 2020	
	Fair value at the date of derecognition	Cumulative realised gains/losses ⁽¹⁾
Equities and other variable-income securities	-	-
Investments in non-consolidated companies	855	422
CARRYING AMOUNT OF EQUITY INSTRUMENTS DERECOGNISED DURING THE PERIOD	855	422
Tax		-
Gains and losses recognised directly in OCI on equity instruments at fair value through OCI without recycling (net of taxes)		422

(in € thousands)	31 Dec. 2019	
	Fair value at the date of derecognition	Cumulative realised gains/losses ⁽¹⁾
Equities and other variable-income securities	-	-
Investments in non-consolidated companies	63	24
CARRYING AMOUNT OF EQUITY INSTRUMENTS DERECOGNISED DURING THE PERIOD	63	24
Tax		-
Gains and losses recognised directly in OCI on equity instruments at fair value through OCI without recycling (net of taxes)		24

(1) Realised gains and losses are transferred to consolidated reserves at the time of derecognition of the instrument in question.

Investments in non-consolidated companies

(in € thousands)	30 June 2020		31 December 2019	
	Fair value of shares	% interest	Fair value of shares	% interest
Crédit Logement	93,771	6.00%	93,771	6.00%
Domiserve	37,586	100.00%	38,470	100.00%
KissKissBankBank	21,300	100.00%	29,500	100.00%
SFIL	20,000	5.00%	20,000	5.00%
Mandarine Gestion	17,626	11.95%	17,626	11.95%
LBP Immobilier Conseil	15,000	100.00%	15,000	100.00%
Transactis	11,574	50.00%	11,574	50.00%
STET	6,917	5.01%	6,917	5.01%
Bpifrance Financement	4,469	0.14%	4,469	0.14%
Other	8,029		8,462	
TOTAL INVESTMENTS IN NON-CONSOLIDATED COMPANIES	236,272		245,789	

➤ Debt instruments at fair value through other comprehensive income with recycling

(in € thousands)	30 June 2020	
	Fair value	Unrealised gains/losses
Government paper and equivalents	127,651,386	
Bonds	103,820,893	
Total debt instruments	231,472,279	(788,040)
Total loans and receivables	-	
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITH RECYCLING	231,472,279	(788,040)
Tax		68,595
Gains and losses recognised directly in OCI on debt instruments at fair value through OCI with recycling (net of taxes)		(719,445)

(in € thousands)	31 Dec. 2019	
	Fair value	Unrealised gains/losses
Government paper and equivalents	4,104,150	
Bonds	10,596,209	
Total debt instruments	14,700,359	158,494
Total loans and receivables	-	
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITH RECYCLING	14,700,359	158,494
Tax		(46,550)
Gains and losses recognised directly in OCI on debt instruments at fair value through OCI with recycling (net of taxes)		111,944

5.3 Securities at amortised cost

(in € thousands)	30 June 2020						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Government paper and equivalents	22,444,887	10,286	-	(1,255)	(165)	-	22,453,753
Bonds and other fixed-income securities	2,588,653	205,711	-	(1,576)	(12,571)	-	2,780,217
SECURITIES AT AMORTISED COST	25,033,540	215,997	-	(2,831)	(12,736)	-	25,233,970

(in € thousands)	31 Dec. 2019						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Government paper and equivalents	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
SECURITIES AT AMORTISED COST	28,042,641	31,482	-	(2,968)	(3,144)	-	28,068,011

5.4 Loans and advances to credit institutions

(in € thousands)	30 June 2020						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Demand deposits with credit institutions	3,590,907	-	-	(51)	-	-	3,590,856
Current accounts in debit	3,584,792	-	-	(51)	-	-	3,584,741
Overnight accounts and loans	-	-	-	-	-	-	-
Suspense accounts	6,115	-	-	-	-	-	6,115
Term loans and advances to credit institutions	72,905,754	-	-	(1,312)	-	-	72,904,442
Loans and advances	985,306	-	-	(146)	-	-	985,160
Deposits centralised with Caisse des Dépôts	67,374,571	-	-	(539)	-	-	67,374,032
Securities and other assets purchased under collateralised reverse repurchase agreements	4,545,877	-	-	(627)	-	-	4,545,250
Subordinated loans	101,574	-	-	(12)	-	-	101,562
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	76,598,235	-	-	(1,375)	-	-	76,596,860

(in € thousands)	31 Dec. 2019						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Demand deposits with credit institutions	372,150	-	-	(63)	-	-	372,087
Current accounts in debit	364,284	-	-	(63)	-	-	364,221
Overnight accounts and loans	-	-	-	-	-	-	-
Suspense accounts	7,866	-	-	-	-	-	7,866
Term loans and advances to credit institutions	70,162,690	-	-	(1,393)	-	-	70,161,297
Loans and advances	860,021	-	-	(169)	-	-	859,852
Deposits centralised with Caisse des Dépôts	67,409,802	-	-	(539)	-	-	67,409,263
Securities and other assets purchased under collateralised reverse repurchase agreements	1,892,867	-	-	(685)	-	-	1,892,182
Subordinated loans	101,416	-	-	(10)	-	-	101,406
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	70,636,256	-	-	(1,466)	-	-	70,634,790

5.5 Loans and advances to customers

(in € thousands)	30 June 2020						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Loans and advances to customers repayable on	4,943,000	41,822	139,640	(9,981)	(5,887)	(68,319)	5,040,275
Retail current accounts in debit	326,928	32,525	52,300	(5,228)	(4,847)	(43,478)	358,200
Corporate current accounts in debit	291,460	8,311	13,015	(678)	(1,040)	(12,240)	298,828
Factoring accounts	4,232,043	-	63,911	(4,075)	-	(3,101)	4,288,778
Overnight accounts and loans	-	-	-	-	-	-	-
Suspense accounts	33,506	-	9,352	-	-	(9,352)	33,506
Other loans and advances to customers repayable on demand	59,063	986	1,062	-	-	(148)	60,963
Term loans and advances to customers	108,336,637	4,636,569	1,418,012	(115,664)	(187,696)	(542,031)	113,545,827
Corporate	27,184,877	1,361,561	274,048	(47,976)	(68,873)	(100,836)	28,602,801
Short-term credit facilities	7,541,107	438,284	77,876	(6,924)	(11,331)	(42,883)	7,996,129
Real estate loans	10,464,368	321,652	20,911	(7,447)	(15,924)	(12,923)	10,770,637
Equipment loans	6,743,740	137,154	43,063	(20,097)	(3,593)	(4,694)	6,895,573
Loans to financial sector customers	339,694	84,816	33	(979)	(2,115)	(29)	421,420
Other loans	2,095,968	379,655	132,165	(12,529)	(35,910)	(40,307)	2,519,042
Retail	69,122,856	3,275,008	1,143,964	(66,247)	(118,823)	(441,195)	72,915,563
Short-term credit facilities	4,432,818	475,181	399,941	(31,628)	(51,731)	(214,740)	5,009,841
Home loans	64,690,038	2,799,827	744,023	(34,619)	(67,092)	(226,455)	67,905,722
Securities and other assets purchased under collateralised reverse repurchase agreements	12,028,904	-	-	(1,441)	-	-	12,027,463
Finance lease transactions	2,784,133	209,927	59,757	(4,987)	(5,029)	(33,519)	3,010,282
Equipment leasing	1,364,055	52,551	21,211	(3,320)	(1,322)	(14,924)	1,418,251
Real estate leasing	1,420,078	157,376	38,546	(1,667)	(3,707)	(18,595)	1,592,031
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST	116,063,770	4,888,318	1,617,409	(130,632)	(198,612)	(643,869)	121,596,384

(in € thousands)	31 Dec. 2019						
	Gross carrying amount			Impairments			Net carrying amount
	B1	B2	B3	B1	B2	B3	
Loans and advances to customers repayable on	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 accounts	5,565,934	-	8,421	(3,171)	-	(2,949)	5,568,235
Overnight accounts and loans	-	-	-	-	-	-	-
Suspense accounts	21,942	-	11,223	-	-	(11,223)	21,942
Other loans and advances to customers repayable on demand	66,837	1,026	1,566	-	-	(90)	69,339
Term loans and advances 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
Real estate 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 sector 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 purchased under collateralised reverse 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 ADVANCES TO CUSTOMERS AT AMORTISED COST	110,001,756	3,074,228	1,374,041	(95,137)	(146,630)	(580,093)	113,628,165

5.6 Accruals and other assets

(in € thousands)	30 June 2020	31 Dec. 2019
Prepaid expenses and accrued income	971,485	299,801
Collection accounts	213,273	10,848
Other accruals	794,292	620,159
Accruals	1,979,050	930,808
Sundry debtors	5,115,370	1,597,400
Securities settlement accounts	2,594	677
Impairments	(63,576)	(6,129)
Other assets	5,054,388	1,591,948
Reinsurance companies' share of technical provisions	21,498,136	396,040
Insurance and reinsurance receivables	5,091,703	243,851
Loans and advances	276,976	-
Miscellaneous insurance assets	1,510,777	151,577
Other insurance assets	28,377,592	791,468
ACCRUALS AND OTHER ASSETS*	35,411,030	3,314,224

* Including €31,729 million recognised on first-time consolidation of CNP Assurances.

5.7 Investments in equity-accounted companies

(in € thousands)	30 June 2020				
	Sector	% interest	Equity-accounted value	Contribution to LBP Group net profit	Contribution to LBP Group other comprehensive income
Holding d'Infrastructure Gazière	Insurance	34.19%	409,474	19,763	(2,740)
AEW	Asset management	40.00%	55,873	416	991
Arial CNP Assurances	Insurance	25.14%	47,134	414	(258)
CNP Assurances group ⁽¹⁾	Insurance	20.15%	-	637,277	(636,305)
Other equity-accounted companies			48,481	4,723	(1,476)
INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES			560,962	662,593	(639,788)

(in € thousands)	31 Dec. 2019				
	Sector	% interest	Equity-accounted value	Contribution to LBP Group net profit	Contribution to LBP Group other comprehensive income
CNP Assurances group ⁽¹⁾	Insurance	20.15%	3,537,757	276,016	163,153
AEW	Asset management	40.00%	54,455	6,155	(765)
INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES			3,592,212	282,171	162,388

(1) Corresponding to La Banque Postale's previously held interest in the CNP Assurances group, which has been controlled by La Banque Postale since 4 March 2020 (see note 3 "Business combinations").

Goodwill on companies accounted for using the equity method is included in the carrying amount of the investment, in accordance with the applicable accounting rules.

5.8 Goodwill

➤ Movements during the period

(in € thousands)	30 June 2020	31 Dec. 2019
CARRYING AMOUNT AT BEGINNING OF PERIOD	160,227	160,227
Goodwill arising on acquisitions for the period	-	-
Disposals	-	-
Impairment for the period	-	-
Other movements	-	-
CARRYING AMOUNT AT PERIOD END	160,227	160,227

➤ Analysis of goodwill

(in € thousands)	30 June 2020	31 Dec. 2019
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
Impairments	(4,722)	(4,722)
TOTAL NET GOODWILL	160,227	160,227

5.9 Liabilities due to credit institutions

(in € thousands)	30 June 2020	31 Dec. 2019
Current accounts in credit	944,747	1,109,050
Overnight accounts and borrowings	185,790	44,508
Other amounts due	7,975	24,577
Demand deposits from credit institutions	1,138,512	1,178,135
Deposits	9,476,071	4,170,211
Securities and other assets sold under collateralised repurchase agreements	25,985,084	25,366,566
Term liabilities due to credit institutions	35,461,155	29,536,777
LIABILITIES DUE TO CREDIT INSTITUTIONS	36,599,667	30,714,912

5.10 Customer deposits

(in € thousands)	30 June 2020	31 Dec. 2019
Livret A	64,582,946	61,497,710
Home loan savings accounts and plans	31,659,879	31,364,793
Other special accounts	22,862,523	22,059,535
Special savings scheme accounts	119,105,348	114,922,038
Current accounts in credit	80,317,290	71,112,418
Overnight accounts and borrowings	3,756,403	1,254,784
Other deposits	979,525	963,661
Customer demand deposits	85,053,218	73,330,863
Term deposits	4,500	-
Term deposit accounts in credit	436,637	37,478
Securities sold under collateralised term repurchase agreements	17,614,149	2,725,362
Customer term deposits	18,055,286	2,762,840
CUSTOMER DEPOSITS	222,213,852	191,015,741

5.11 Accruals and other payables

(in € thousands)	30 June 2020	31 Dec. 2019
Accrued expenses and deferred income	1,991,010	551,622
Other accruals	1,532,817	1,479,630
Accruals	3,523,827	2,031,252
Securities-related liabilities	88,790	290,738
Guarantee deposits received	1,082,584	1,399,739
Other payables	2,687,212	1,279,605
Securities settlement accounts	3,680	8,525
Other liabilities	3,862,266	2,978,607
Insurance and reinsurance payables	15,684,357	142,352
Other insurance liabilities	137,284	120,202
Other insurance liabilities	15,821,641	262,554
ACCRUALS AND OTHER LIABILITIES*	23,207,734	5,272,413

* Including €18,727 million recognised on first-time consolidation of CNP Assurances.

5.12 Insurance company technical provisions and shadow accounting reserves

(in € thousands)	30 June 2020			31 Dec. 2019		
	Before reinsurance	Reinsurance	Net of reinsurance	Before reinsurance	Reinsurance	Net of reinsurance
Non-life insurance	9,473,677	793,790	8,679,887	1,482,542	393,651	1,088,891
Life insurance	215,449,435	17,091,021	198,358,414	944,824	2,389	942,435
<i>of which life insurance mathematical provisions</i>	<i>202,708,659</i>	<i>16,708,618</i>	<i>186,000,041</i>	<i>829,078</i>	<i>888</i>	<i>828,190</i>
Financial instruments with DPF	114,507,407	3,372,428	111,134,979	-	-	-
<i>of which life insurance mathematical provisions</i>	<i>104,840,331</i>	<i>3,034,952</i>	<i>101,805,379</i>	-	-	-
Financial instruments without DPF	3,823,720	240,897	3,582,823	-	-	-
TECHNICAL PROVISIONS	343,254,239	21,498,136	321,756,103	2,427,366	396,040	2,031,326

(in € thousands)	30 June 2020			31 Dec. 2019		
	Before reinsurance	Reinsurance	Net of reinsurance	Before reinsurance	Reinsurance	Net of reinsurance
Net deferred participation reserve	26,775,643	-	26,775,643	124,682	-	124,682
SHADOW ACCOUNTING RESERVES	26,775,643	-	26,775,643	124,682	-	124,682

TOTAL TECHNICAL PROVISIONS AND SHADOW ACCOUNTING RESERVES⁽¹⁾ **370,029,882** **21,498,136** **348,531,746** **2,552,048** **396,040** **2,156,008**

(1) Technical provisions and shadow accounting reserves include €367,541 million concerning CNP Assurances.

The deferred participation reserve results from the use of shadow accounting. It represents the life insurance policyholders' share of unrealised gains and losses and impairments recognised on assets whose yields determine the yield paid to policyholders.

5.13 Provisions

	31 Dec. 2019	Changes in scope of consolidation	Allocations	Reversals (utilisations)	Reversals (surplus)	Other	30 June 2020
<i>(in € thousands)</i>							
Provisions for employee benefit liabilities	40,886	323,129	1,951	(23,767)	(32)	-	342,167
Provision for home loan savings	183,684	-	22,000	-	(136)	-	205,548
Accrued payroll costs and provisions for employee claims	8,110	-	2,776	(4,035)	(440)	(201)	6,210
Provisions for guarantee commitments	1,149	-	810	(4)	-	-	1,955
Provisions for financing commitments	39,088	-	13,906	(1,862)	-	-	51,133
Other provisions for liabilities and charges	64,348	314,561	21,097	(3,849)	(4,093)	(27,301)	364,763
PROVISIONS*	337,265	637,690	62,540	(33,517)	(4,701)	(27,502)	971,776

* Including €596 million in commercial, tax and employee-related provisions recognised on first-time consolidation of CNP Assurances at 30 June 2020.

	31 Dec. 2018	Changes in scope of consolidation	Allocations	Reversals (utilisations)	Reversals (surplus)	Other	31 Dec. 2019
<i>(in € thousands)</i>							
Provisions for employee benefit liabilities	39,357	-	4,765	(103)	(24)	(3,109)	40,886
Provision for home loan savings	252,246	-	38	(68,600)	-	-	183,684
Accrued payroll costs and provisions for employee claims	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

5.14 Subordinated debt

(in € thousands)	30 June 2020	31 Dec. 2019
Subordinated debt ⁽¹⁾	10,887,581	3,096,919
TOTAL	10,887,581	3,096,919

Subordinated debt breaks down as follows:

(in € thousands)	Date of issue	Maturity date	Interest rate	Amount in issue currency	Currency	30 June 2020 ⁽¹⁾	31 Dec. 2019 ⁽¹⁾
Redeemable subordinated notes						10,709,396	3,096,919
La Banque Postale	30.11.2010	30.11.2020	4.375%	750,000	EUR	779,180	775,021
La Banque Postale	23.04.2014	23.04.2026	2.750% ⁽²⁾	750,000	EUR	760,181	779,165
La Banque Postale	19.11.2015	19.11.2027	2.750% ⁽²⁾	750,000	EUR	759,217	748,746
La Banque Postale	09.06.2016	09.06.2028	3.000%	500,000	EUR	499,605	507,011
La Banque Postale	05.10.2016	05.10.2028	2.250%	100,000	EUR	106,478	102,224
La Banque Postale	16.01.2017	09.06.2028	2.250%	150,000	EUR	200,180	184,752
CNP Assurances	07.04.2011	30.09.2041	6.875% until Sept. 2021, then 12-month Euribor +440 bps	700,000	EUR	787,898	-
CNP Assurances	14.09.2010	14.09.2040	6% until Sept. 2020, then 3-month Euribor +447.2 bps	750,000	EUR	794,996	-
CNP Assurances	24.06.2003	23.06.2023	4.7825% until 2013, then 3-month Euribor +200 bps from 24 June 2013	200,000	EUR	208,360	-
CNP Assurances	11.04.2011	30.09.2041	7.375% until Sept. 2021, then 12-month Libor +448.2 bps	300,000	GBP	377,910	-
CNP Assurances	05.06.2014	05.06.2045	4.25% until June 2025, then reset at the 5-year fixed swap rate +360 bps	500,000	EUR	571,474	-
CNP Assurances	10.12.2015	10.06.2047	4.5% until June 2027, then 3-month Euribor +460 bps	750,000	EUR	905,705	-
CNP Assurances	22.01.2016	22.01.2049	6% throughout the life of the notes	500,000	USD	524,290	-
CNP Assurances	20.10.2016	20.10.2022	1.875% throughout the life of the notes	1,000,000	EUR	1,061,989	-
CNP Assurances	05.02.2019	05.02.2029	2.75% throughout the life of the notes	500,000	EUR	582,255	-
CNP Assurances	27.11.2019	27.07.2050	2.00% until June 2030, then 3- month Euribor +300 bps	750,000	EUR	785,303	-
CNP Assurances	10.12.2019	15.01.2027	0.80% throughout the life of the notes	250,000	EUR	254,375	-
CNP Assurances	30 June 2020	30.09.2051	2.5% until Sept. 2031, then 3-month Euribor +100 bps	750,000	EUR	750,000	-
Perpetual subordinated notes						178,185	-
CNP Assurances	15.11.2004		4.93% until 2016, then 3-month Euribor +160 bps from 15 Nov. 2016	90,000	EUR	87,632	-
CNP Assurances	15.11.2004		3-month Euribor +70 bps until 2016 then 3-month Euribor +160 bps	93,000	EUR	90,553	-
SUBORDINATED DEBT						10,887,581	3,096,919

(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.

5.15 Equity

Composition of capital and change for the period

In connection with the acquisition of control of CNP Assurances, La Banque Postale issued 40,033,894 shares to La Poste. After taking into account the resulting capital increase of €1,954 million, La Banque Postale's share capital amounted to €6,585 million at 30 June 2020, made up of 80,309,149 shares with a par value of €82 each.

Perpetual subordinated notes classified in equity

(in € thousands)	Date of issue	Interest rate	Issue amount	Currency	30 June 2020	31 Dec. 2019
La Banque Postale	14.11.2019	3.875%	750,000	EUR	744,000	744,096
PERPETUAL SUBORDINATED NOTES CLASSIFIED IN EQUITY					744,000	744,096

Perpetual subordinated notes issued by subsidiaries and classified in equity attributable to non-controlling interests

(in € thousands)	Date of issue	Interest rate	Issue amount	Currency	30 June 2020	31 Dec. 2019
	21.06.2004	TEC 10 +10 bps, capped at 9%	300,000	EUR	251,157	-
	11.03.2005	6.25% until 2009, then 4 x (10-year EUR CMS - 2-year EUR CMS), 9% cap and 2.75% floor	23,750	EUR	24,490	-
	11.03.2005	6.50% until March 2008, then 3% +2,250 bps x 10-year EUR CMS	225,000	EUR	220,372	-
	27.06.2005	7% until June 2010, then 10-year CMS +30 bps	75,000	EUR	60,275	-
CNP Assurances	16.05.2006	5.25% until 16 May 2036 then 3-month Euribor +185 bps (including 100 bps call date step-up)	160,000	EUR	180,816	-
	20.12.2006	3-month Euribor +95 bps until 20 December 2026, then 3-month Euribor +195 bps	108,000	EUR	99,435	-
	18.11.2014	4% until November 2024, then reset at the 5-year fixed swap rate +410 bps	500,000	EUR	555,644	-
	27.06.2018	4.75% until 2028 then reset at the 5-year fixed swap rate +391.4 bps	500,000	EUR	552,075	-
PERPETUAL SUBORDINATED NOTES CLASSIFIED IN EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS					1,944,264	-

5.16 Contractual maturities of assets and liabilities

La Banque Postale's liquidity management governance ensures that the development of lending activities does not give rise to any concerns about liquidity levels. Liquidity risk management policies and processes are described in Chapter 4 of the Universal Registration Document, in the note on 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 analysed by contractual maturity date. Equity investments and UCITS are included in the "Indefinite" column. Demand deposits (assets and liabilities) are shown in the "Less than 3 months" column. The amounts presented in this table correspond to the balance sheet amounts (including the effects of discounting).

Balance sheet items by remaining life at 30 June 2020

(in € thousands)	30 June 2020					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	Beyond 5 years	Indefinite	
ASSETS						
Cash, central banks	31,972,881	-	-	-	-	31,972,881
Financial assets at fair value through profit or loss	9,129,392	12,047,274	19,594,689	18,620,423	126,552,799	185,944,577
Hedging derivatives – Assets	15,611	10,888	857,083	767,419	-	1,651,001
Financial assets at fair value through OCI	7,314,611	17,302,408	93,340,843	113,514,416	348,729	231,821,007
Securities at amortised cost	1,140,949	1,931,866	7,392,282	14,768,873	-	25,233,970
Loans and advances to credit institutions	59,176,399	4,532,078	8,356,181	4,532,202	-	76,596,860
Loans and advances to customers	15,711,171	10,171,430	29,357,833	64,419,315	1,936,635	121,596,384
Revaluation differences on portfolios hedged against interest rate risks – Assets	-	7,416	133,455	123,012	-	263,883
Assets by remaining periods to maturity	124,461,014	46,003,360	159,032,366	216,745,660	128,838,163	675,080,563
LIABILITIES						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	227,696	78,362	767,147	1,906,738	360,614	3,340,557
Hedging derivatives – Liabilities	460	9,134	283,449	495,300	-	788,343
Liabilities due to credit institutions	18,318,346	2,200,916	9,483,774	6,596,631	-	36,599,667
Customer deposits	212,092,545	1,488	116,051	-	10,003,768	222,213,852
Debt securities	4,832,448	1,929,727	3,383,744	9,899,396	-	20,045,315
Subordinated debt	31,305	908,689	1,274,883	8,495,450	177,254	10,887,581
Revaluation differences on portfolios hedged against interest rate risks – Liabilities	65	149	689,099	161,303	37	850,653
Liabilities by remaining periods to maturity	235,502,865	5,128,465	15,998,147	27,554,818	10,541,673	294,725,968
Financing commitments given	19,108,516	5,383,602	3,648,045	1,685,958	-	29,826,121
Guarantee commitments given	1,877,386	235,734	368,684	412	677	2,482,893
Commitments given by remaining periods	20,985,902	5,619,336	4,016,729	1,686,370	677	32,309,014

(in € thousands)	31 Dec. 2019					Total
	Less than 3 months	3 months to 1 year	1 to 5 years	Beyond 5 years	Indefinite	
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 OCI	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 advances to credit institutions	49,713,774	4,100,067	11,044,731	5,776,218	-	70,634,790
Loans and advances to customers	12,059,247	12,029,890	30,558,149	58,980,879	-	113,628,165
Revaluation differences on portfolios hedged against interest rate risks – 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
Customer deposits	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 portfolios hedged against interest rate risks – 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
Financing commitments given	14,376,942	5,967,406	4,611,174	1,519,312	-	26,474,834
Guarantee commitments given	584,134	221,788	1,769,064	330	526	2,575,842
Commitments given by remaining periods	14,961,076	6,189,194	6,380,238	1,519,642	526	29,050,676

5.17 Additional information about sovereign exposures in certain European Union countries

The breakdown of direct and indirect sovereign exposure is as follows:

Sovereign exposures at 30 June 2020

(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 %
Germany	4,721,269	316,151	5,037,420	93,829	-	5,131,249	2.0%
Austria	4,058,516	6,627	4,065,143	-	-	4,065,143	1.6%
Belgium	11,369,778	287,175	11,656,953	1,875,668	-	13,532,621	5.3%
Cyprus	43,746	54,696	98,442	-	-	98,442	0.0%
Spain	12,611,548	287,652	12,899,200	19,741	-	12,918,941	5.1%
Finland	49,831	88	49,919	-	-	49,919	0.0%
France	167,695,659	4,399,017	172,094,676	12,092,790	1,008,932	185,196,398	72.9%
United Kingdom	-	2,609	2,609	239,600	-	242,209	0.1%
Greece	10,119	37	10,156	-	-	10,156	0.0%
Ireland	2,614	15,932	18,546	-	-	18,546	0.0%
Italy	8,524,327	904,938	9,429,265	500,001	-	9,929,266	3.9%
Luxembourg	41,994	-	41,994	-	-	41,994	0.0%
Netherlands	340,828	5,462	346,290	-	-	346,290	0.1%
Poland	346,173	37,093	383,266	-	-	383,266	0.2%
Portugal	1,273,846	84,159	1,358,005	19,760	-	1,377,765	0.5%
Romania	-	806	806	17,216	-	18,022	0.0%
Slovakia	-	1,313	1,313	-	-	1,313	0.0%
Slovenia	58,286	-	58,286	-	-	58,286	0.0%
Sweden	1,245	110	1,355	-	-	1,355	0.0%
Switzerland	5,426	49	5,475	-	-	5,475	0.0%
Supranational	5,079,091	787,961	5,867,052	-	-	5,867,052	2.3%
Total Europe	216,234,296	7,191,875	223,426,171	14,858,605	1,008,932	239,293,708	94.2%
Brazil	2,350,994	11,796,674	14,147,668	-	-	14,147,668	5.6%
Canada	427,142	-	427,142	-	-	427,142	0.2%
South Korea	1,757	-	1,757	-	-	1,757	0.0%
Japan	66,176	-	66,176	-	-	66,176	0.0%
USA	55,128	45,052	100,180	-	-	100,180	0.0%
Other	90,761	19,712	110,473	-	-	110,473	0.0%
Total Rest of World	2,991,958	11,861,438	14,853,396	-	-	14,853,396	5.8%
TOTAL	219,226,254	19,053,313	238,279,567	14,858,605	1,008,932	254,147,104	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 proprietary exposures.

(2) Direct and indirect exposures: direct exposures plus indirect exposures arising from securities borrowing transactions, forward purchases and off-balance sheet positions.

Sovereign exposures at 31 December 2019

31 Dec. 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 %
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%
Cyprus	-	-	-	-	-	-	0.0%
Spain	1,743,470	195,951	1,939,421	-	-	1,939,421	1.8%
Finland	-	-	-	-	-	-	0.0%
France	87,150,585	628,963	87,779,548	6,328,083	761,201	94,868,832	89.5%
United Kingdom	-	-	-	-	-	-	0.0%
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%
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%
Portugal	419,531	-	419,531	-	-	419,531	0.4%
Romania	-	-	-	-	-	-	0.0%
Slovakia	-	-	-	-	-	-	0.0%
Slovenia	5,147	-	5,147	-	-	5,147	0.0%
Sweden	-	-	-	-	-	-	0.0%
Switzerland	29,028	-	29,028	-	-	29,028	0.0%
Supranational	-	-	-	-	-	-	0.0%
Total Europe	96,363,056	1,505,557	97,868,613	6,868,825	761,201	105,498,639	99.5%
Brazil	-	-	-	-	-	-	0.0%
Canada	360,920	-	360,920	-	-	360,920	0.3%
South Korea	48,277	-	48,277	-	-	48,277	0.0%
Japan	123,105	-	123,105	-	-	123,105	0.1%
USA	-	-	-	-	-	-	0.0%
Other	6,450	-	6,450	-	-	6,450	0.0%
Total Rest of 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 proprietary exposures.

(2) Direct and indirect exposures: direct exposures plus indirect exposures arising from securities borrowing transactions, forward purchases and off-balance sheet positions.

NOTE 6 NOTES TO THE INCOME STATEMENT

6.1 Interest income and expense

(in € thousands)	First-half 2020	of which negative interest	First-half 2019	of which negative interest
On financial assets at amortised cost	1,769,573	105,946	1,838,097	68,476
Transactions with credit institutions	544,870	84,565	588,029	60,556
Customer transactions	957,163	20,082	931,586	7,907
Finance lease transactions	20,677	-	19,278	-
On securities at amortised cost	246,863	1,299	299,204	13
On financial assets at fair value through OCI with recycling	125,783	-	89,881	-
Transactions with credit institutions	-	-	-	-
Customer transactions	-	-	-	-
Debt securities	125,783	-	89,881	-
Interest accrued and due on hedging instruments	196,014	-	203,204	-
Other interest income	-	-	-	-
Interest income	2,091,370	105,946	2,131,182	68,476
On financial liabilities at amortised cost	(856,297)	(44,926)	(894,852)	(41,151)
Transactions with credit institutions	(30,717)	(21,551)	(56,208)	(39,967)
Customer transactions	(661,796)	(23,375)	(684,294)	(1,184)
On debt securities and subordinated debt	(163,784)	-	(154,350)	-
Interest accrued and due on hedging instruments	(82,916)	-	(120,426)	-
Other interest expense	-	-	-	-
Interest expense	(939,213)	(44,926)	(1,015,278)	(41,151)
INTEREST INCOME AND EXPENSE	1,152,157		1,115,904	

The amount of interest and remuneration received in respect of the centralisation of Livret A, Livret de Développement Durable and Livret d'Épargne Populaire savings deposits amounted to €455 million in first-half 2020, compared with €518 million in first-half 2019.

6.2 Fee and commission income and expense

(in € thousands)	First-half 2020		First-half 2019	
	Income	Expenses	Income	Expenses
Fees on cash and interbank transactions	36,397	(2,746)	32,021	(2,515)
Fees and commissions on customer transactions	434,200	(1,643)	620,188	(1,050)
Financial services fees	439,288	(93,002)	451,798	(102,393)
Fees and commissions on securities transactions	155,174	(99,492)	158,831	(11,001)
Fees and commissions on financial instruments	-	(283)	-	(233)
Insurance fees and commissions ⁽¹⁾	25,985	(969,052)	24,204	(25,287)
Other fees and commissions	34,455	(1,234)	33,467	(1,446)
Fee and commission income and expense	1,125,499	(1,167,452)	1,320,509	(143,925)
NET FEES AND COMMISSIONS		(41,953)		1,176,584

(1) Including CNP Assurances insurance distribution commissions.

6.3 Net gain or loss on financial instruments at fair value through profit or loss

(in € thousands)	First-half 2020	First-half 2019
Dividends received	521,174	3,525
Changes in the fair value of financial assets and liabilities at fair value through profit or loss	(3,872,266)	38,862
Changes in fair value and interest on financial assets and liabilities held for trading	210,851	31,984
Changes in fair value and interest on financial assets and liabilities not meeting SPPI criteria	(991,588)	35,556
Changes in fair value and interest on financial assets and liabilities designated as at fair value	(58,602)	(28,678)
Changes in the fair value of unit-linked financial assets and liabilities at fair value through profit or loss	(3,032,927)	-
Net gain or loss on financial assets and liabilities at fair value through profit or loss	(31,289)	10,528
Gains or losses on financial assets and liabilities held for trading	(3,980)	(5,573)
Gains or losses on financial assets and liabilities not meeting SPPI criteria	(26,814)	16,101
Gains or losses on financial assets and liabilities designated as at fair value	(495)	-
Gains or losses on unit-linked financial assets and liabilities	-	-
Hedging profit and loss	72	(378)
Foreign exchange gains and losses	-	-
NET GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	(3,382,309)	52,537

Hedging profit and loss breaks down as follows:

(in € thousands)	First-half 2020		
	Profits	Losses	Net
Fair value hedges	251,398	(251,235)	163
Changes in fair value of hedged items attributable to the hedged risks	187,037	(168,484)	18,553
Changes in fair value of hedging derivatives (including hedge termination)	64,361	(82,751)	(18,390)
Cash flow hedges	-	-	-
Changes in fair value of hedging derivatives – ineffective portion	-	-	-
Fair value hedges of interest rate risks on a portfolio of financial instruments	-	-	-
Changes in fair value of hedged items	-	-	-
Changes in fair value of hedging derivatives	-	-	-
Cash flow hedges of interest rate risks on a portfolio of financial instruments	-	-	-
Changes in fair value of the hedging instrument – ineffective portion	-	-	-
Cash flow hedges of currency risks on a portfolio of financial instruments	-	(91)	(91)
Changes in fair value of the hedging instrument – ineffective portion	-	(91)	(91)
NET HEDGING PROFIT OR LOSS	251,398	(251,326)	72

(in € thousands)	First-half 2019		
	Profits	Losses	Net
Fair value hedges	873,203	(873,581)	(378)
Changes in fair value of hedged items attributable to the hedged risks	295,359	(439,851)	(144,492)
Changes in fair value of hedging derivatives (including hedge termination)	577,844	(433,730)	144,114
Cash flow hedges	-	-	-
Changes in fair value of hedging derivatives – ineffective portion	-	-	-
Fair value hedges of interest rate risks on a portfolio of financial instruments	-	-	-
Changes in fair value of hedged items	-	-	-
Changes in fair value of hedging derivatives	-	-	-
Cash flow hedges of interest rate risks on a portfolio of financial instruments	-	-	-
Changes in fair value of the hedging instrument – ineffective portion	-	-	-
Cash flow hedges of currency risks on a portfolio of financial instruments	-	-	-
Changes in fair value of the hedging instrument – ineffective portion	-	-	-
NET HEDGING PROFIT OR LOSS	873,203	(873,581)	(378)

6.4 Net gain or loss on financial instruments at fair value through other comprehensive income

(in € thousands)	First-half 2020	First-half 2019
Dividend income from equity instruments at fair value through OCI without recycling	3,715	17,883
Gains or losses on disposals of financial assets at fair value through OCI with recycling	19,297	69,901
- On debt securities	19,297	69,901
- On loans and advances	-	-
Gains or losses on the sale or termination of fair value hedges of debt instruments	(2,328)	-
Gains or losses on the sale of debt instruments through securitisation transactions	-	-
NET GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI	20,684	87,784

6.5 Gains and losses on derecognition of debt instruments at amortised cost

(in € thousands)	First-half 2020		First-half 2019	
	Income	Expenses	Income	Expenses
Gains and losses on derecognition events	297,281	-	163,828	-
Debt instruments	297,281	-	163,828	-
NET GAIN OR LOSS ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST	297,281		163,828	

Estimated home loan repayment rates were reviewed in light of the persistently low interest rates and the very limited incidence of early repayments and renegotiations. This led to an extension of the loans' estimated duration. To maintain La Banque Postale's risk profile, fixed rate debt securities held in the ALM portfolio were sold during first-half 2020. These sales did not affect the validity of the portfolio management model.

6.6 Income and expenses from other activities

(in € thousands)	First-half 2020		First-half 2019	
	Income	Expenses	Income	Expenses
Ceded income, re-invoiced expenses, expense transfers	11,419	-	15,948	-
Other operating income and expenses	189,921	(283,745)	172,173	(153,250)
Accruals for other operating expenses	6,706	(22,898)	8,770	(5,420)
Income and expenses from insurance and reinsurance activities	7,347,621	(1,768,720)	484,119	(253,727)
Income and expenses from other activities	7,555,667	(2,075,363)	681,010	(412,397)
NET INCOME FROM OTHER ACTIVITIES	5,480,304		268,613	

6.7 General operating expenses

(in € thousands)	First-half 2020	First-half 2019*
Payroll costs	(496,870)	(307,325)
Taxes other than on income ⁽¹⁾	(135,368)	(96,464)
External services	(1,762,049)	(1,716,862)
Other expenses	(139,840)	(111,681)
Other general operating expenses	(2,037,257)	(1,925,006)
GENERAL OPERATING EXPENSES	(2,534,127)	(2,232,331)

(1) including contributions to the banking and insurance supervisors.

* Re invoiced costs in first-half 2019 have been reclassified from "Other expenses" to "Payroll costs" for €2,268 thousand and to "External services" for €36,357 thousand.

Average number of employees during the period

	First-half 2020	First-half 2019
Managers	6,397	3,919
Other employees	4,141	1,297
TOTAL	10,537	5,216

6.8 Cost of risk

(in € thousands)	First-half 2020	First-half 2019
Bucket 1 – Performing assets – 12-month expected losses	(135,251)	13,806
Bucket 2 – Performing assets with deteriorated credit quality – Lifetime expected losses	(75,311)	6,935
Bucket 3 – Impaired assets	(64,878)	8,176
Impairment provisions net of reversals	(275,440)	28,917
Recoveries on impaired assets covered by provisions	15,273	2,764
Credit losses	(52,925)	(73,011)
Other losses or income*	85,306	(111)
COST OF RISK	(227,786)	(41,441)

* Including movements on the insurance subsidiaries' policyholders' surplus.

Cost of risk by business is presented in note 10.

The impact of the Covid-19 crisis on cost of risk is discussed in note 4.3.

6.9 Gains and losses on other assets

(in € thousands)	First-half 2020	First-half 2019
Gains and losses on disposals of intangible assets and property, plant and equipment	(942)	(358)
Gains and losses on remeasurement of consolidated securities	(1,578,388)	-
NET GAIN OR LOSS ON OTHER ASSETS	(1,579,330)	(358)

The net loss on remeasurement of consolidated securities corresponds to the loss recognised on remeasurement of La Banque Postale's previously held interest in CNP Assurances (see note 3 "Business combinations").

6.10 Change in the value of goodwill

(in € thousands)	First-half 2020	First-half 2019
Badwill recognised in the income statement	4,577,772	-
CHANGE IN THE VALUE OF GOODWILL	4,577,772	-

Badwill recognised in the income statement arose on acquisition of control of CNP Assurances (see note 3 “Business combinations”).

6.11 Income tax

(in € thousands)	First-half 2020	First-half 2019
Current tax	(359,369)	(204,116)
Deferred taxes	44,422	42,113
INCOME TAX	(314,947)	(162,003)

The effective tax rate in first-half 2020 was 36.88% based on pre-tax profit for the period of €841 million as adjusted to exclude the share of profits of equity-accounted companies, changes in goodwill and the loss on remeasurement of the previously held interest in CNP Assurances (see note 3 “Business combinations”). The effective rate for first-half 2019 was 35.61%.

NOTE 7 INSURANCE ACTIVITIES

7.1 Insurance investments

(in € thousands)	30 June 2020	31 Dec. 2019
Financial assets at fair value through profit or loss (a)	173,253,504	434,829
Hedging derivatives	-	-
Financial assets at fair value through OCI with recycling (b)	218,002,756	2,234,017
Securities at amortised cost	140,964	-
Investment properties	3,002,541	-
INSURANCE INVESTMENTS	391,256,260	2,668,846

(a) Financial assets at fair value through profit or loss

(in € thousands)	30 June 2020	31 Dec. 2019
Debt instruments	138,093,040	272,375
Government paper and equivalents	6,368,958	-
Bonds and other fixed-income securities	20,161,194	7,187
UCITS	54,620,414	265,188
Assets backing unit-linked contracts	50,703,207	-
Loans and advances	6,239,267	-
Equity instruments	34,135,012	162,454
Equities and other variable-income securities	30,390,834	162,454
Assets backing unit-linked contracts	3,744,178	-
Derivative instruments	1,025,452	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	173,253,504	434,829

(b) Financial assets at fair value through other comprehensive income with recycling

(in € thousands)	30 June 2020		
	Fair value	Impairments	Unrealised gains/losses
Government paper and equivalents	124,597,238	(60,387)	75,396
Bonds and other fixed-income securities	93,405,518	(71,058)	(724,620)
Total debt instruments	218,002,756	(131,445)	(649,224)
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITH RECYCLING	218,002,756	(131,445)	(649,224)
Tax	-	-	32,761
Gains and losses recognised directly in OCI on debt instruments at fair value through OCI with recycling (net of tax) – insurance investments	-	-	(616,463)

	31 Dec. 2019		
(in € thousands)	Fair value	Impairments	Unrealised gains/losses
Government paper and equivalents	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 OCI on debt instruments at fair value through OCI with recycling (net of tax) – insurance investments	-	-	93,069

7.2 Net income of insurance companies

(in € thousands)	30 June 2020	
	External income	Inter-segment income
Written premiums	7,221,106	139
Change in unearned premiums	(31,737)	-
Earned premiums	7,189,369	139
Revenue from other activities	44,027	-
Other operating income	26,509	-
Investment income net of expenses	2,154,362	(10,033)
Gains and losses on disposals of investments	(1,653,579)	-
Change in fair value of investments at fair value through profit or loss	(5,480,083)	-
Change in impairment losses on investments	(100,545)	-
Impact of the overlay approach	266,681	-
Investment income net of expenses	(4,813,164)	(10,033)
Total revenue	2,446,741	(9,894)
Claims and benefits expenses	(1,530,523)	-
Ceded expenses and income	36,606	-
Income and expenses from other activities	(1,077)	77
Acquisition costs	(1,042,766)	(298,462)
Amortisation of acquired in-force business and distribution agreements	(186,137)	-
Administrative costs	(106,798)	-
Other operating income and expenses	(167,820)	-
Total other income and expenses, net	(2,998,515)	(298,385)
Recurring operating profit (loss)	(551,774)	(308,279)
Non-recurring operating income and expenses, net	(25,959)	-
Operating profit (loss)	(577,733)	(308,279)
Finance costs	(16,999)	4,066
Changes in value of intangible assets	(5,550)	-
Share of profit of equity-accounted companies	662,177	-
Change in the value of goodwill	4,577,772	-
Income tax expense	(232,638)	-
CONSOLIDATED NET PROFIT (LOSS)	4,407,029	(304,213)
Non-controlling interests	195,124	-
Profit attributable to equity holders of the parent	3,907,692	-

First-half 2019

(in € thousands)

Premium income	484,083
Written premiums	512,290
Change in unearned premiums	(28,207)
Earned premiums	484,083
Investment income net of expenses	46,462
Investment income, including income from investment properties	24,987
Investment expenses and other financial expenses	(4)
Gains and losses on disposals of investments	996
Change in fair value of investments at fair value through profit or loss	20,483
Net profit or loss on fair value hedges	-
Amortisation of deferred acquisition costs	1,149
Cost of external policy-related services	(224,629)
Insurance commissions	(2,529)
Reinsurance result	(30,211)
NET PROFIT FROM INSURANCE ACTIVITIES	274,325

7.3 Impact of applying the overlay approach to La Banque Postale Group's insurance activities

The net impact of applying the overlay approach by type of financial asset is presented below:

(in € thousands)	First-half 2020				First-half 2019			
	Carrying amount	Gross overlay impact	Deferred tax	Net overlay impact	Carrying amount	Gross overlay impact	Deferred tax	Net overlay impact
UCITS	34,399,787	(163,380)	51,200	(112,179)	185,924	5,205	782	5,987
Equities and other variable-income securities	26,984,225	(112,682)	9,490	(103,192)	146,585	10,206	(2,400)	7,806
Bonds	7,045,493	(3,435)	7,023	3,588	7,375	38	3	41
Other financial assets	12,882,633	12,816	1,582	14,398	-	-	-	-
TOTAL	81,312,138	(266,681)	69,295	(197,385)	339,884	15,449	(1,615)	13,834

NOTE 8 COMMITMENTS GIVEN AND RECEIVED

Contractual value of commitments given and received:

(in € thousands)	30 June 2020	31 Dec. 2019
FINANCING COMMITMENTS		
Given to credit institutions	2,004,031	1,723,489
Given to customers	27,822,090	24,751,345
Total financing commitments given	29,826,121	26,474,834
Received from credit institutions	24,324,022	10,890,436
Received from customers	519,819	-
Total financing commitments received	24,843,841	10,890,436
GUARANTEE COMMITMENTS		
Given to credit institutions	743,542	714,995
Given to customers*	1,739,351	1,860,847
Total guarantee commitments given	2,482,893	2,575,842
Received from credit institutions	37,154,452	37,464,088
Received from customers	5,853,985	5,749,231
Total guarantee commitments received	43,008,437	43,213,319
SECURITIES COMMITMENTS		
Securities to be delivered	23,643,892	10,721,418
Total securities commitments given	23,643,892	10,721,418
Securities to be received	3,986,292	399,968
Total securities commitments received	3,986,292	399,968
OTHER COMMITMENTS		
Total other commitments given	48,442,630	18,311,357
Total other commitments received	27,657,279	3,371,642

* Including capital and performance guarantees given to the holders of UCITS units generated by Group entities.

Credit Logement commitments

La Banque Postale is committed to maintaining Crédit Logement's Tier 1 capital at a level equivalent to its interest in the company, i.e. 6%, so that the company can maintain its capital ratio. La Banque Postale is also committed to replenishing Crédit Logement's mutual guarantee fund if required. This fund underwrites borrower defaults on loans guaranteed by the fund. The amount of this commitment, which corresponds to the share of outstanding Crédit Logement loans distributed by La Banque Postale was €204 million at 30 June 2020 and €225 million at 30 June 2019.

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

Other commitments given

Other commitments mainly concern securities pledged to the European Central Bank as collateral for the financing commitment received from the Bank (3G funding). The commitment has been measured at the market value of the pledged securities before taking into account the differentiated haircuts applied to securities and receivables. The €9,002 million commitment has been given in exchange for a 3G financing commitment received from Banque de France (€1,532 million) and the TLTRO loan from the ECB (€6,614 million).

Other commitments also include €23,483 million in home loans pledged as collateral for bond issues by the Group's home loans company (La Banque Postale Home Loan SFH).

NOTE 9 FAIR VALUE OF BALANCE SHEET ITEMS

9.1 Fair value of balance sheet items at amortised cost

The table below shows the fair value of balance sheet items recognised at amortised cost.

	30 June 2020				
	Balance sheet amount	Fair value	Fair value hierarchy		
			Valuation determined using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
(in € thousands)					
ASSETS					
Securities at amortised cost	25,233,970	26,751,277	25,132,935	1,213,608	404,734
Demand deposits with credit institutions	3,590,856	3,590,856	-	3,262,457	328,399
Term loans and advances to credit institutions	73,006,004	74,178,453	-	74,055,561	122,892
Loans and advances to credit institutions	76,596,860	77,769,309	-	77,318,018	451,291
Loans and advances to customers repayable on demand	5,040,275	5,040,275	-	4,883,159	157,116
Term loans and advances to customers	113,545,827	117,841,112	-	105,202,836	12,638,276
Finance lease transactions	3,010,282	3,387,582	-	3,387,582	-
Loans and advances to customers	121,596,384	126,268,969	-	113,473,577	12,795,392
Investment property at amortised cost	1,389,368	2,402,197	-	2,402,197	-
LIABILITIES					
Demand deposits from credit institutions	1,138,512	1,138,512	-	1,134,526	3,986
Term liabilities due to credit institutions	35,461,155	34,114,888	-	34,084,651	30,237
Liabilities due to credit institutions	36,599,667	35,253,400	-	35,219,177	34,223
Customer demand deposits	204,158,566	204,158,566	-	202,744,087	1,414,479
Customer term deposits	18,055,286	18,055,869	-	17,944,700	111,169
Customer deposits	222,213,852	222,214,435	-	220,688,787	1,525,648
Debt securities	20,045,315	9,957,112	3,642,625	6,300,942	13,545
Subordinated debt	10,887,581	10,930,870	3,047,369	7,883,501	-

	31 Dec. 2019				
	Balance sheet amount	Fair value	Fair value hierarchy		
			Valuation determined using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
(in € thousands)					
ASSETS					
Securities at amortised cost	28,068,011	29,746,933	27,913,958	1,625,931	207,044
Demand deposits with credit institutions	372,087	372,087	-	234,210	137,877
Term loans and advances to credit institutions	70,262,703	70,271,823	-	70,152,113	119,710
Loans and advances to credit institutions	70,634,790	70,643,910	-	70,386,323	257,587
Loans and advances to customers repayable on demand	6,297,390	6,297,390	-	6,183,747	113,643
Term loans and advances to 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 advances to customers	113,628,165	120,606,094	-	107,536,047	13,070,047
Investment property at amortised cost	-	-	-	-	-
LIABILITIES					
Demand deposits from 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
Customer demand deposits	188,252,901	188,252,901	-	187,121,060	1,131,841
Customer term deposits	2,762,840	2,763,757	-	2,762,224	1,533
Customer deposits	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	-

Fair value of loans

The selected scope includes all disbursed loans and drawdowns on credit facilities shown on La Banque Postale's balance sheet. Loans granted but not yet disbursed are not taken into account: the assumption is that since their rates were recently set, their fair value should not be materially different from their nominal amount.

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

- The fair value of current account overdrafts is presumed to correspond to their book value due to their short duration (the customer is required to return the account to credit within one month).
- The fair value of loans is determined using internal models based on the discounted present value of cash flows from principal and interest payments over the residual term. The discount rate applied is the internal disposal rate.

Fair value of deposits

The main underlying assumptions for the calculation are as follows:

- For deposits at regulated interest rates, Livret B and Livret Jeune accounts, Plans d'Épargne Populaire and term deposit accounts, fair value is assumed to be the carrying amount of the amount outstanding.
- The fair value of demand deposits is assumed to correspond to the carrying value of the amount outstanding, net of the fair value excluding accrued interest of the swaps used to hedge demand deposits (via the carve-out option).

Held or issued debt instruments

The fair value of listed financial instruments corresponds to the period-end closing price. The fair value of unlisted financial instruments at amortised cost is determined using internal models and therefore represents the instruments' estimated market value. This value may fluctuate depending on changes in parameters and does not necessarily reflect the instruments' realisable value.

9.2 Fair value hierarchy of financial assets and liabilities recognised on the balance sheet

Financial instruments are presented below based on the three levels in the fair value hierarchy, according to a decreasing level of observability of the prices and parameters used for their measurement:

- level 1: Instruments valued according to the (unadjusted) prices quoted for identical assets or liabilities on an active market;

This level primarily includes shares and derivatives quoted on organised markets (futures, options, etc.).

- level 2: Instruments valued using inputs other than the quoted market prices included within level 1 that are observable for the asset or liability, either directly (prices) or indirectly (prices derived from or corroborated by observable market data);

These instruments are valued using observable parameters and standard models or on the basis of similar instruments quoted on an active market. This category includes interest rate swaps, caps, floors, etc.

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

This category mainly includes unlisted equity investments.

The market value of unlisted equity investments classified as financial assets at fair value through other comprehensive income is determined by reference to criteria such as net assets, earnings outlook and discounted future cash flows.

The price quoted for an asset held or a liability to be issued is usually the bid price, and that of a liability held or an asset to be acquired is usually the ask price.

Financial assets and liabilities

(in € thousands)	30 June 2020			
	Fair value	Fair value hierarchy		
		Valuation determined using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
FINANCIAL ASSETS				
Financial assets held for trading	12,975,220	2,298,876	10,676,344	-
Financial assets designated as at fair value through profit or loss	7,188,273	6,625,488	28,228	534,557
Financial assets at fair value not meeting the SPPI criteria	111,333,699	75,309,412	24,218,052	11,806,235
Assets backing unit-linked contracts	54,447,385	50,343,185	4,101,171	3,029
Financial assets at fair value through profit or loss	185,944,577	134,576,961	39,023,795	12,343,821
Fair value hedging derivatives	1,651,001	-	1,651,001	-
Cash flow hedging derivatives	-	-	-	-
Hedging derivatives	1,651,001	-	1,651,001	-
Financial assets at fair value through OCI without recycling	348,729	-	-	348,729
Financial assets at fair value through OCI with recycling	231,472,278	228,914,824	1,805,864	751,590
Financial assets at fair value through OCI	231,821,007	228,914,824	1,805,864	1,100,319
Investment properties at fair value	1,613,170	-	1,613,170	-
FINANCIAL LIABILITIES				
Financial liabilities held for trading	2,052,186	-	2,052,186	-
Financial liabilities designated as at fair value	1,288,371	360,355	928,016	-
Financial liabilities at fair value through profit or loss	3,340,557	360,355	2,980,202	-
Fair value hedging derivatives	769,276	-	769,276	-
Cash flow hedging derivatives	19,067	-	19,067	-
Hedging derivatives	788,343	-	788,343	-

Transfer from level 2 to level 1: €83.6 million (two fixed-income securities issues that now meet the required trading volume and frequency conditions).

Transfer from level 1 to level 2: €58.7 million (eight fixed-income securities issues whose prices are no longer representative of a price quoted on an active market and whose trading volumes and frequency no longer fulfil the required conditions).

Transfer from level 2 to level 3: €4 million (one fixed-income securities issue whose trading volume and frequency no longer fulfils the required conditions).

(in € thousands)	31 Dec. 2019			
	Fair value	Fair value hierarchy		
		Valuation determined using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
FINANCIAL ASSETS				
Financial assets held for trading	9,502,508	1,584,225	7,918,282	-
Financial assets designated as at fair value through profit or loss	-	-	-	-
Financial assets at fair value not meeting the SPPI criteria	1,402,129	812,402	257,109	332,618
Assets backing unit-linked contracts	-	-	-	-
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 OCI	15,058,569	14,499,013	201,346	358,210
Investment properties at fair value	-	-	-	-
FINANCIAL LIABILITIES				
Financial liabilities held for trading	782,605	58,458	724,147	-
Financial liabilities designated as at fair value	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	-

➤ **Change in fair value based on level 3 inputs: reconciliation of opening and closing balances**

	30 June 2020			
	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through OCI	Total
(in € thousands)				
OPENING	332,618	-	358,210	690,828
Total gains and losses recorded in profit or loss	176,435	-	-	176,435
Total gains and losses recorded in other comprehensive income	-	-	(8,305)	(8,305)
Purchases	710,840	-	450,973	1,161,813
Sales	(462,535)	-	(855)	(463,390)
Issues	(8,937)	-	-	(8,937)
Redemptions	(250,701)	-	-	(250,701)
Transfer to or from level 3	92,520	-	-	92,520
Changes in scope of consolidation	11,755,708	-	300,617	12,056,325
Other movements	(2,127)	-	(321)	(2,448)
CLOSING	12,343,821	-	1,100,319	13,444,140

	31 Dec. 2019			
	Financial assets at fair value through profit or loss	Hedging derivatives	Financial assets at fair value through OCI	Total
(in € thousands)				
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 other comprehensive income	-	-	16,660	16,660
Purchases	35,366	-	52,941	88,307
Sales	(825)	-	(63)	(888)
Issues	-	-	-	-
Redemptions	(26,211)	-	-	(26,211)
Transfer to or from level 3	-	-	-	-
Changes in scope of consolidation	-	-	-	-
Other movements	-	-	(92)	(92)
CLOSING	332,618	-	358,210	690,828

NOTE 10 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 (formerly 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 1B.V and 2 B.V, the Group conducts its business activities in France.

Inter-segment and intra-segment transactions are conducted on arm's length terms.

First-half 2020 net profit by operating segment (excluding the cost of equity for each segment)

(in € thousands)	Retail banking	Insurance	Asset management	Total
NET BANKING INCOME	2,601,670	1,117,430	73,745	3,792,845
General operating expenses	(2,103,241)	(382,770)	(48,116)	(2,534,127)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(129,136)	(44,708)	(2,149)	(175,993)
GROSS OPERATING PROFIT	369,293	689,952	23,480	1,082,725
Cost of risk	(212,527)	(15,259)	-	(227,786)
OPERATING PROFIT	156,766	674,693	23,480	854,939
Share of profits of equity-accounted companies	-	662,177	416	662,593
Net gain or loss on other assets	(185)	(1,579,145)	-	(1,579,330)
Changes in the value of goodwill	-	4,577,772	-	4,577,772
PRE-TAX PROFIT	156,581	4,335,497	23,896	4,515,974
Income tax	(74,567)	(232,681)	(7,699)	(314,947)
NET PROFIT	82,014	4,102,816	16,197	4,201,027
Non-controlling interests	100	195,124	4,732	199,956
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	81,914	3,907,692	11,466	4,001,071

First-half 2019 net profit by operating segment (excluding the cost of equity for each segment)

(in € thousands)	Retail banking	Insurance	Asset management	Total
NET BANKING INCOME	2,596,234	179,760	73,807	2,849,801
General operating expenses	(2,127,399)	(60,896)	(44,036)	(2,232,331)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(115,044)	(3,513)	(2,190)	(120,747)
GROSS OPERATING PROFIT	353,791	115,351	27,581	496,723
Cost of risk	(41,442)	1	-	(41,441)
OPERATING PROFIT	312,349	115,352	27,581	455,282
Share of profits of equity-accounted companies	-	134,061	1,820	135,881
Net gain or loss on other assets	(358)	-	-	(358)
Changes in the value of goodwill	-	-	-	-
PRE-TAX PROFIT	311,991	249,413	29,401	590,805
Income tax	(112,022)	(41,162)	(8,819)	(162,003)
NET PROFIT	199,969	208,252	20,582	428,803
Non-controlling interests	444	940	5,630	7,014
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	199,525	207,312	14,952	421,789

NOTE 11 SCOPE OF CONSOLIDATION

Companies	Registered office: City/Country	Method ⁽¹⁾	% Voting rights	% Interest	Method	% Voting rights	% Interest
		30 June 2020	30 June 2020	30 June 2020	31 Dec. 2019	31 Dec. 2019	31 Dec. 2019
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	100.00	100.00
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	100.00	100.00
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 ⁽³⁾	Paris - France	FULL	62.84	62.84	EQUITY	36.25	20.15
CNP Caution	Paris - France	FULL	100.00	62.84	-	-	-
Arial CNP Assurances	Mons-en-Baroeul - France	EQUITY	40.00	25.14	-	-	-
MFPrévoyance	Paris - France	FULL	51.00	40.85	-	-	-
Filassistance International	Paris - France	EQUITY	66.00	41.48	-	-	-
Assuristance	Paris - France	EQUITY	66.00	41.48	-	-	-
Ecureuil Vie Développement	Paris - France	EQUITY	49.00	30.79	-	-	-
Assurbaill Patrimoine	Paris - France	FULL	100.00	62.84	-	-	-
Holding d'Infrastructures Gazières	Paris - France	EQUITY	54.41	34.19	-	-	-
Caixa Seguros Holding SA	Brasilia - Brazil	FULL	51.75	32.52	-	-	-
Caixa Seguros Participações Securitárias Ltda	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
Caixa Saguradora	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
Caixa Capitalização	Brasilia - Brazil	FULL	51.00	16.59	-	-	-
Caixa Vida e Previdência	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
Caixa Consórcios	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
Caixa Assessoria e Consultoria	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
Caixa Saúde SA	São Paulo - Brazil	FULL	100.00	32.52	-	-	-
CNP Assurances Compañia de Seguros	Buenos Aires - Argentina	FULL	76.47	48.06	-	-	-
CNP SA de Capitalización y Ahorro p/fines determinados	Buenos Aires - Argentina	FULL	65.38	31.42	-	-	-
Previsul	Porto Alegre - Brazil	FULL	100.00	32.52	-	-	-
Wiz Soluções e Corretagem de Seguros S.A.	Brasilia - Brazil	EQUITY	25.00	8.13	-	-	-
Odonto Empresas Convenios Dentarios LTDA	São Paulo - Brazil	FULL	100.00	32.52	-	-	-
Holding Caixa Seguros Participações em Saude Ltda	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
OPCI FII Renda Corporativa Angico	São Paulo - Brazil	FULL	51.75	32.52	-	-	-
CNP UNICREDIT VITA	Milan - Italy	FULL	57.50	36.13	-	-	-
CNP Partners	Madrid - Spain	FULL	100.00	62.84	-	-	-
CNP Cyprus Insurance Holdings	Nicosia - Cyprus	FULL	100.00	62.84	-	-	-
CNP Zois	Athens - Greece	FULL	100.00	62.84	-	-	-
CNP Praktoriaki	Athens - Greece	FULL	100.00	62.84	-	-	-
CNP Cyprialife	Nicosia - Cyprus	FULL	100.00	62.84	-	-	-
CNP Asfalistiki	Nicosia - Cyprus	FULL	100.00	62.84	-	-	-
CNP Cyprus Tower Ltd	Nicosia - Cyprus	FULL	100.00	62.84	-	-	-
CNP Cyprus Properties	Nicosia - Cyprus	FULL	100.00	62.84	-	-	-
CNP Holding Brasil	Brasilia - Brazil	FULL	100.00	62.84	-	-	-
CNP Europe Life Ltd	Dublin - Ireland	FULL	100.00	62.84	-	-	-
CNP Santander Insurance Life Ltd	Dublin - Ireland	FULL	51.00	32.05	-	-	-
CNP Santander Insurance Europe Ltd	Dublin - Ireland	FULL	51.00	32.05	-	-	-
CNP Santander Insurance Services Ireland Ltd	Dublin - Ireland	FULL	51.00	32.05	-	-	-
CNP Luxembourg	Luxembourg - Luxembourg	FULL	100.00	62.84	-	-	-
CNP Assurances Participações Ltda	Brasilia - Brazil	FULL	100.00	62.84	-	-	-
Assurimmeuble	Paris - France	FULL	100.00	62.84	-	-	-
AEP4 SCI	Paris - France	FULL	100.00	62.84	-	-	-
AEP3 SCI	Paris - France	FULL	100.00	62.84	-	-	-
OPCI MTP Invest	Paris - France	FULL	100.00	62.65	-	-	-
OPCI AEW Imcom 1	Paris - France	FULL	100.00	62.84	-	-	-
OPCI AEP 247	Paris - France	FULL	100.00	62.84	-	-	-

LBP Actifs Immo	Paris - France	FULL	100.00	62.84	-	-	-
Outlet Invest	Paris - France	FULL	100.00	62.84	-	-	-
OPCI Raspail	Paris - France	FULL	100.00	62.72	-	-	-
SAS Alleray	Paris - France	FULL	100.00	62.84	-	-	-
CIMO	Paris - France	FULL	100.00	62.84	-	-	-
SICAC	Paris - France	FULL	100.00	62.84	-	-	-
CNP Immobilier	Paris - France	FULL	100.00	62.84	-	-	-
Univers CNP 1 FCP	Paris - France	FULL	100.00	62.84	-	-	-
Ecureuil Profil 90	Paris - France	FULL	57.03	35.84	-	-	-
Vivaccio ACT SDEC	Paris - France	FULL	100.00	62.84	-	-	-
LBPAM Court Terme	Paris - France	FULL	100.00	62.84	-	-	-
CNP Assur Trésorerie Plus	Paris - France	FULL	98.21	61.72	-	-	-
OPCVM Caixa Seguradora SA	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
OPCVM Caixa Capitalização SA	Brasilia - Brazil	FULL	100.00	16.58	-	-	-
OPCVM Caixa Vida & Previdência SA	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
OPCVM Caixa Consórcios SA	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
OPCVM Holding Caixa Seguros Holding SA	Brasilia - Brazil	FULL	100.00	32.52	-	-	-
Coentreprise de Transport d'Electricité ⁽⁴⁾	Paris - France	FVTPL	20.00	12.57	-	-	-
Montparvie 5	Paris - France	FULL	100.00	62.84	-	-	-
Sogestop K	Paris - France	FULL	100.00	62.84	-	-	-
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	FULL	100.00	100.00	JOINT	50.02	50.02
La Banque Postale Assurances IARD	Issy les Moulineaux - France	FULL	100.00	100.00	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	99.89	69.92
Tocqueville Finance SA	Paris - France	FULL	99.90	69.86	FULL	99.89	69.86

(1) Consolidation method.

FULL: Fully consolidated

EQUITY: Accounted for using the equity method

JOINT: Joint control recorded for the share of assets, liabilities and profit

FVTPL: At fair value through profit or loss

NC: Not consolidated

(2) Non-trading property company that owns La Banque Postale's owner-occupied property.

(3) La Banque Postale acquired control of the CNP Assurances group on 4 March 2020. See note 1.1 "Significant events of the period" and note 3 "Business combinations".

(4) The investment in Coentreprise de Transport d'Electricité (CTE) is almost exclusively in representation of participatory contracts and the Group has therefore chosen to apply the exemption from using the equity method granted in paragraph 18 of IAS 28. The CTE shares are included in financial assets at fair value through profit or loss.

5.3 STATUTORY AUDITORS' REVIEW REPORT ON THE 2020 INTERIM FINANCIAL INFORMATION

This is a free translation into English of the Statutory Auditors' review report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

La Banque Postale SA

Registered office: 115 rue de Sèvres, 75275 Paris Cedex 06, France

Share capital: €6,585,350,218

Statutory Auditors' review report on the 2020 interim financial information

For the six months ended 30 June 2020

To the Shareholders,

In compliance with the assignment entrusted to us by your General Meeting and in accordance with the requirements of Article L. 451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of La Banque Postale for the six months ended 30 June 2020;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Executive Board on 28 July 2020 based on information available at that date and in the evolving context of the Covid-19 health crisis and the difficulties in assessing its impacts and the future prospects of the Company. Our role is to express a conclusion on these financial statements based on our review.

I Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – “Interim Financial Reporting”, as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to Note 3 “Business Combinations” to the condensed interim consolidated financial statements, which describes the impact of the acquisition of CNP Assurances by La Banque Postale on 4 March 2020 on the condensed interim consolidated financial statements.

II Specific verification

We have also verified the information given in the interim management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and its consistency with the condensed interim consolidated financial statements.

Paris la Défense, 4 August 2020

KPMG S.A.

Neuilly-sur-Seine, 4 August 2020

PricewaterhouseCoopers Audit

Marie-Christine Jolys
Partner

Pierre Planchon
Partner

Agnès Husherr
Partner

Jacques Lévi
Partner

OTHER INFORMATION



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6. OTHER INFORMATION

6.1 PUBLIC ACCESS TO THE REGISTRATION DOCUMENT

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, 75275 Paris Cedex 06, France. La Banque Postale's Registration Documents are also available on the website www.labanquepostale.com.

6.2 PERSONS RESPONSIBLE FOR REVIEWING THE FINANCIAL STATEMENTS

Statutory Auditors of La Banque Postale	Start date of first assignment	End date of the assignment
PricewaterhouseCoopers Audit SAS (member of <i>Compagnie régionale des Commissaires aux comptes de Versailles</i>) 63, rue de Villiers 92200 Neuilly-sur-Seine Represented by Jacques Lévi from the 2016 financial year and by Agnès Hussherr from the 2020 financial year Alternate auditor: Jean-Baptiste Deschryver	28 April 2004	General Shareholders' Meeting called in 2022 to approve the financial statements for the financial year ending 31 December 2021
KPMG S.A. (member of <i>Compagnie régionale des Commissaires aux comptes de Versailles</i>) Tour Eqho 2, avenue Gambetta CS60055 92066 Paris La Défense Represented by Marie-Christine Jolys from the 2015 financial year and by Pierre Planchon from the 2020 financial year Alternate auditor: KPMG S.A.	27 May 2010	General Shareholders' Meeting called in 2022 to approve the financial statements for the financial year ending 31 December 2021

6.3 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Person responsible for the Amendment to the Universal Registration Document

Tony Blanco
Acting Chairman of the Executive Board
La Banque Postale

Statement by the person responsible for the amendment to the Universal Registration Document

I hereby declare that, to the best of my knowledge and having made all reasonable efforts to ensure that this is the case, the information contained in this amendment to the Universal Registration Document is in accordance with the facts and makes no omission likely to affect its import.

I further declare that, to the best of my knowledge, the interim financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the scope of consolidation, and that the interim business report (defined in the cross-reference table of this document) gives a true and fair view of the significant events that occurred during the first six months of the financial year and their impact on the financial statements, the main related-party transactions, and the description of the main risks and uncertainties in the remaining six months of the year.

Paris, 13 August 2020,

Tony Blanco

Acting Chairman of the Executive Board

6.4 CROSS-REFERENCE TABLE FOR THE AMENDMENT TO THE UNIVERSAL REGISTRATION DOCUMENT

(Annex I to Commission Delegated Regulation (EU) 2019/980 of 14 March 2019)

Cross-Reference Table (Annex to Regulation (EU) 2017/1129 of the European Parliament and of the Council)	Page numbers of the 2019 Universal Registration Document	Page numbers of the Amendment at 30 June 2020	Sections
Persons responsible			1
Persons responsible for the information given in the document	428	238	1.1
Declaration by those responsible	428	238	1.2
Statement or report attributed to a person as an expert	N/A	N/A	1.3
Information sourced from a third party	N/A	N/A	1.4
Statement by the issuer	N/A	N/A	1.5
Statutory Auditors			2
Names and addresses of the auditors	88	237	2.1
Details on the resignation, removal or non-re-appointment of auditors	N/A	N/A	2.2
Risk factors			3
Risk factors	92-99	43-55	3.1
Capital adequacy	100-115	56-70	3.2
Information about the issuer			4
Legal and commercial name of the issuer	4		4.1
Place of registration, registration number and LEI of the issuer	4		4.2
Date of incorporation and length of life of the issuer	4		4.3
Domicile and legal form of the issuer, legislation, country, address and telephone number of its registered office and website	4		4.4
Business overview			5
Principal activities	6; 9; 11	5; 7	5.1
Principal markets	17-23		5.2
Important events in the development of the issuer's business	22-24	25-27	5.3
Strategy and objectives	15-16		5.4
Extent to which the issuer is dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	N/A	N/A	5.5
The basis for any statements made by the issuer regarding its competitive position	6-23		5.6
Investments	78; 249	204	5.7
Organisational structure			6
Description of the group	6; 9-10	5; 7-9	6.1
List of significant subsidiaries	9; 324-325	7; 231-232	6.2
Operating and financial review			7
Financial condition	71-77; 180-326	22-39; 163-232	7.1
Operating results	71-77; 180-326	22-39; 163-232	7.2
Capital resources			8
Information concerning the issuer's capital resources	183-184	169	8.1
Sources and amounts of the issuer's cash flows	185	170	8.2
Information on the borrowing requirements and funding structure of the issuer	103-108	61	8.3
Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, the issuer's operations	N/A	N/A	8.4

Information regarding the anticipated sources of funds needed to fulfil commitments referred to in item 5.7.2	N/A	N/A	8.5
Regulatory environment			9
Regulatory environment	111-114	46-48	9.1
Trend information			10
The most significant recent trends in production, sales and inventory, and costs and selling prices since the end of the last financial year	N/A	N/A	10.1
Trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year	68-70	23-27	10.2
Profit forecasts or estimates	N/A	N/A	11
Administrative, management and supervisory bodies and senior management			12
Names, business addresses and functions within the issuer of the members of the administrative, management or supervisory bodies	32-57	12	12.1
Administrative, management and supervisory bodies and senior management conflicts of interests	58		12.2
Remuneration and benefits			13
Amount of remuneration paid and benefits in kind	59-66	13-21	13.1
The total amounts set aside or accrued by the issuer or its subsidiaries to provide for pension, retirement or similar benefits	65	18	13.2
Board practices			14
Date of expiry of current term of office	32-34; 36-46; 53-57		14.1
Information about members of the administrative, management or supervisory bodies' service contracts	N/A	N/A	14.2
Information about the issuer's audit committee and remuneration committee	50-53		14.3
Corporate governance regime applicable to the issuer	26-66	12-21	14.4
Potential material impacts on the corporate governance	N/A	N/A	14.5
Employees			15
Number of employees	10; 265; 379-380; 383	5; 218	15.1
Shareholdings and stock options	384		15.2
Arrangements for involving the employees in the capital of the issuer	N/A	N/A	15.3
Major shareholders			16
Shareholders controlling over 5% of the share capital or voting rights	6	6	16.1
Existence of different voting rights	6	6	16.2
Process controls	6	6	16.3
Any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer	N/A	N/A	16.4
Related-party transactions			17
Details of related-party transactions	281-282		17.1
Financial information concerning the issuer's assets and liabilities, financial position and profits and losses			18
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Interim and other financial information	N/A	N/A	18.2

Auditing of historical annual financial information	288-291; 327-330	233-234	18.3
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Additional information			19
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Memorandum and articles of association	404-414		19.2
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6.5 INTERIM FINANCIAL REPORT CROSS-REFERENCE TABLE

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

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STATEMENT BY THE PERSON RESPONSIBLE FOR THE DOCUMENT	238
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• Main events occurring during the first six months of the financial year	23-27
• Main risks and uncertainties	42-55
• Main transactions between related parties	-
CONSOLIDATED FINANCIAL STATEMENTS	163-232
STATUTORY AUDITORS' REVIEW REPORT ON THE 2020 INTERIM FINANCIAL INFORMATION	233-234



French public limited company (*société anonyme*) with an Executive Board and a Supervisory Board, and share capital of €6,585,350,218.00

Registered office and postal address: 115 rue de Sèvres - 75275 Paris Cedex 06, France

Paris Trade and Companies Register no. 421 100 645 – APE code 6419Z – Insurance intermediary registered with ORIAS under no. 07023424

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