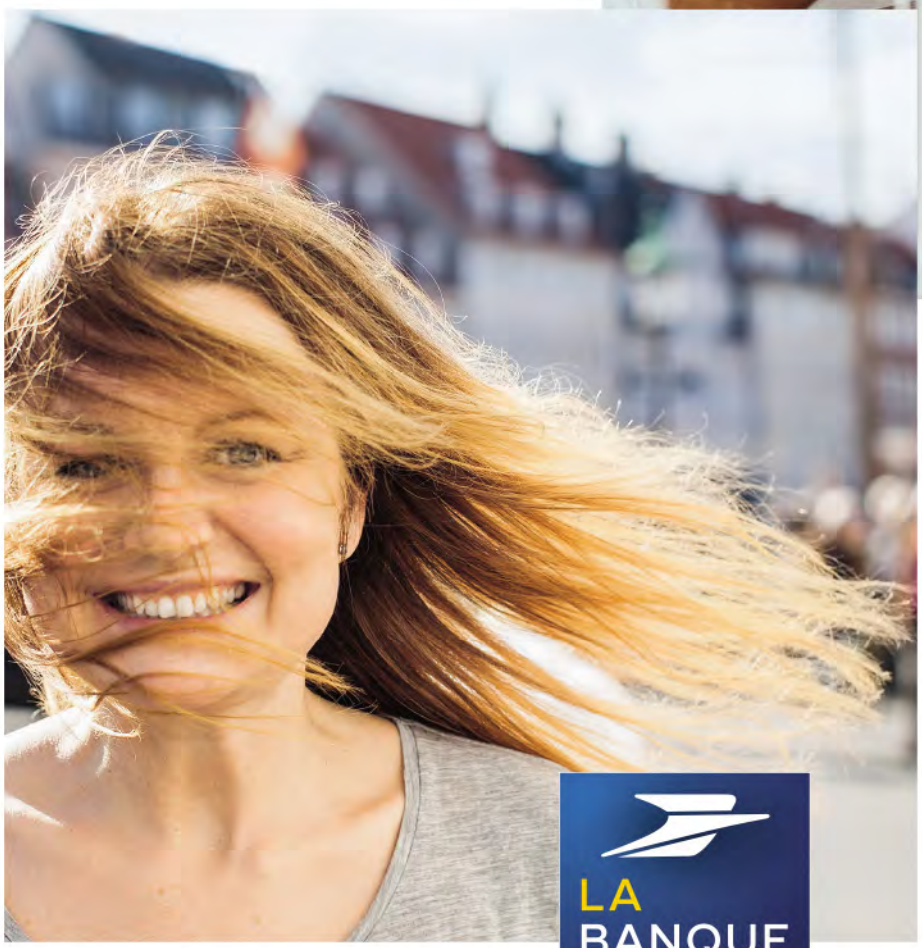
Universal Registration Document and Annual Financial Report 2020



LA BANQUE POSTALE

BANQUE ET CITOYENNE

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Groupe La Banque Postale

Universal registration document

& Annual financial report 2020

The French language version of this 2020 Universal Registration Document was filed on 19 March 2021 with the French Financial Markets authority (*Autorité des marchés financiers* – 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 package is approved by the AMF in accordance with EU Regulation 2017/1129.

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 this translation is an accurate presentation of the original. However, in all matters of interpretation, views or opinion expressed in the original language version of the document in French take precedence over the translation.

Pursuant to Article 19 of EU Regulation 2017/1129 of 17 April 2017, the following documents have been included in this Universal Registration Document for reference purposes:

- the consolidated financial statements and the company financial statements for the financial year ended 31 December 2019, together with the related Statutory Auditors' reports, presented on pages 180-185 and 292-294 respectively of the 2019 Universal Registration Document filed with the AMF on 17 March 2020 under No. D.20-0135;
- the consolidated financial statements and the company financial statements for the financial year ended 31 December 2018, together with the related Statutory Auditors' reports, presented on pages 178-185 and 279-281 respectively of the 2018 Registration Document filed with the AMF on 14 March 2019 under No. D.19-0152.

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

INTRODUCTION

Company and trading name

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

Legal form - Applicable legislation

French public limited company (*société anonyme*) with an Executive Board and a Supervisory Board

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

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

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

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

Country of origin: France

Legal entity identifier (LEI): 96950066U5XAAIRCPA78

Share capital

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

Duration of the Company

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

Registered office

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

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

PRESENTATION OF LA BANQUE POSTALE GROUP

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1.1 GENERAL PRESENTATION OF THE GROUP

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

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

- Retail Banking: offering banking products and services to private individuals, professionals, corporate customers, social economy actors and local authorities;
- Insurance: life insurance via CNP Assurances and death & disability, property & casualty and health insurance through La Banque Postale's insurance subsidiaries;
- Asset management, carried out through the asset management subsidiaries which market savings and investment products to retail, corporate and institutional customers.

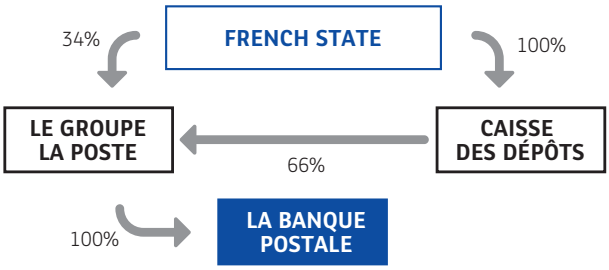
La Banque Postale has carved a unique position in the French market by basing its growth on a multi-partner business model that leverages Le Groupe La Poste's values of trust, inclusiveness and local service. Thus, La Banque Postale's commercial strategy focuses on simple and affordable products suited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

1.1.1 Group shareholding structure

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

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

Following completion of the project to create a large public financial group, Le Groupe La Poste is now 66%-owned by Caisse des Dépôts and 34% by the French State.



1.1.2 Shareholder relations

La Banque Postale, a wholly-owned subsidiary of Le Groupe La Poste

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

The relationship between La Poste and La Banque Postale is very close, both at the level of the Groups' governance and management structures and in their business relations. The Chairman of La Banque Postale's Executive Board is also Executive Vice President of La Poste and a member of its Executive Committee, while the Chairman of La Poste is also the Chairman of the Supervisory Board of La Banque Postale.

La Poste is La Banque Postale's main service provider: it provides La Banque Postale with staff who act "in the name of and on behalf of" La Banque Postale. Various agreements have been reached between La Poste and La Banque Postale in this respect, and pursuant to Article 16 of law no. 2005-516 of 20 May 2005.

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

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

Pursuing the accessible banking mission on behalf of La Poste

Providing access to basic banking services, including the Livret A passbook savings account, is one of the four public service and general interest missions entrusted to La Poste by the law of 2 July 1990 (amended by the law of 9 February 2010). The French Monetary and Financial Code also stipulates that "in the banking, financial and insurance fields, La Poste shall offer products and services as widely as possible, particularly the Livret A accounts". La Poste carries out this role via La Banque Postale, its banking subsidiary.

The law on the Modernisation of the Economy dated 4 August 2008 authorised all banks in France to distribute Livret A regulated savings accounts from 1 January 2009. However, the law set out specific obligations for La Banque Postale in terms of the distribution and operation of the Livret A pursuant to its accessible banking mission. These obligations, which are specified in two agreements between the government, La Poste and La Banque Postale, are described in a specific section of this Universal Registration Document (*see 7.5.2 Accessible banking mission*).

La Banque Postale receives 'proportionate[1]' compensation paid by the Caisse des Dépôts savings fund for this public service mission, which benefits many people who have difficulty accessing or using traditional banking services. The principle of the compensation is provided for in the applicable law and the multi-year amount (currently for the 2015-2020 period) has been approved by the European Commission under the State aid regime applicable to Services of General Economic Interest (SGEI).

1.1.3 Changes in the share capital

Following the capital increase related to acquiring control of CNP Assurances on 4 March 2020, the share capital of La Banque Postale was €6,585,350,218.

	2016	2017	2018	2019	2020
Number of shares	35,186,153	35,186,153	35,186,153	40,275,255	80,309,149
Share capital (€)	4,046,407,595	4,046,407,595	4,046,407,595	4,631,654,325	6,585,350,218
Shares held by La Poste	100%(1)	100%(1)	100%(2)	100%(2)	100%(2)

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

No La Banque Postale shares have been pledged.

1.1.4 Dividend policy

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

The 2019 dividend was originally set at €351 million. In light of the Covid-19 crisis, La Banque Postale decided to suspend payment of this dividend, as recommended by the ECB.

Concerning the 2020 dividend, La Banque Postale intends to comply with the ECB's latest recommendation by proposing to limit the payout ratio to less than 15% of the sum of 2019 and 2020 profit and no more than the equivalent of 20 bps of the CET1 ratio.

Dividends paid over the past five years are as follows:

	2016	2017	2018	2019	2020
Distribution *(in € millions)*	312	344	327	-	171

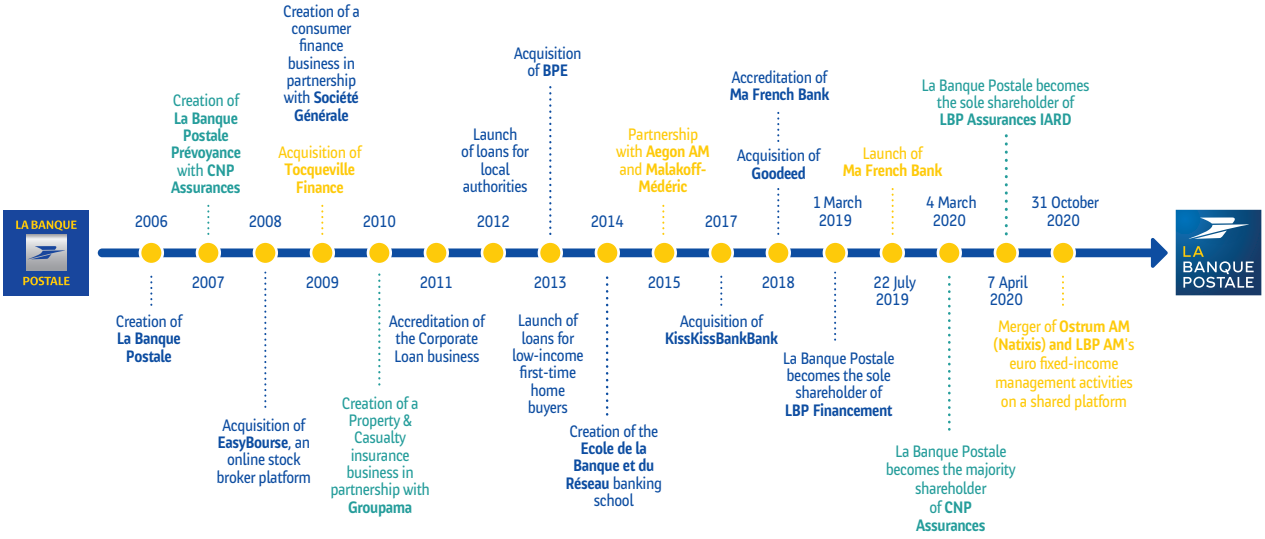
1.1.5 History

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

(1) Article R. 221-8-1 of the French Monetary and Financial Code.

The "postal" law of 1990 revised in 2010 entrusted La Poste with four public service missions, including the accessible banking mission fulfilled by its subsidiary, La Banque Postale. In application of Article L. 518-25-1 of the French Monetary and Financial Code, this mission is framed and described by two agreements signed with the State: the State/La Poste service agreement (2018-2022) and the State/LBP agreement (2015-2020). In this respect, La Banque Postale:

- is required to open a Livret A passbook savings account free of charge for anyone who requests one, in accordance with the universal access principle;
- authorises the use of Livret A accounts to receive payment of social welfare benefits and civil service pensions and to pay taxes, water, gas, and electricity bills, and subsidised housing rents by direct debit;
- authorises withdrawals and deposits from and to the Livret A starting at €1.50.



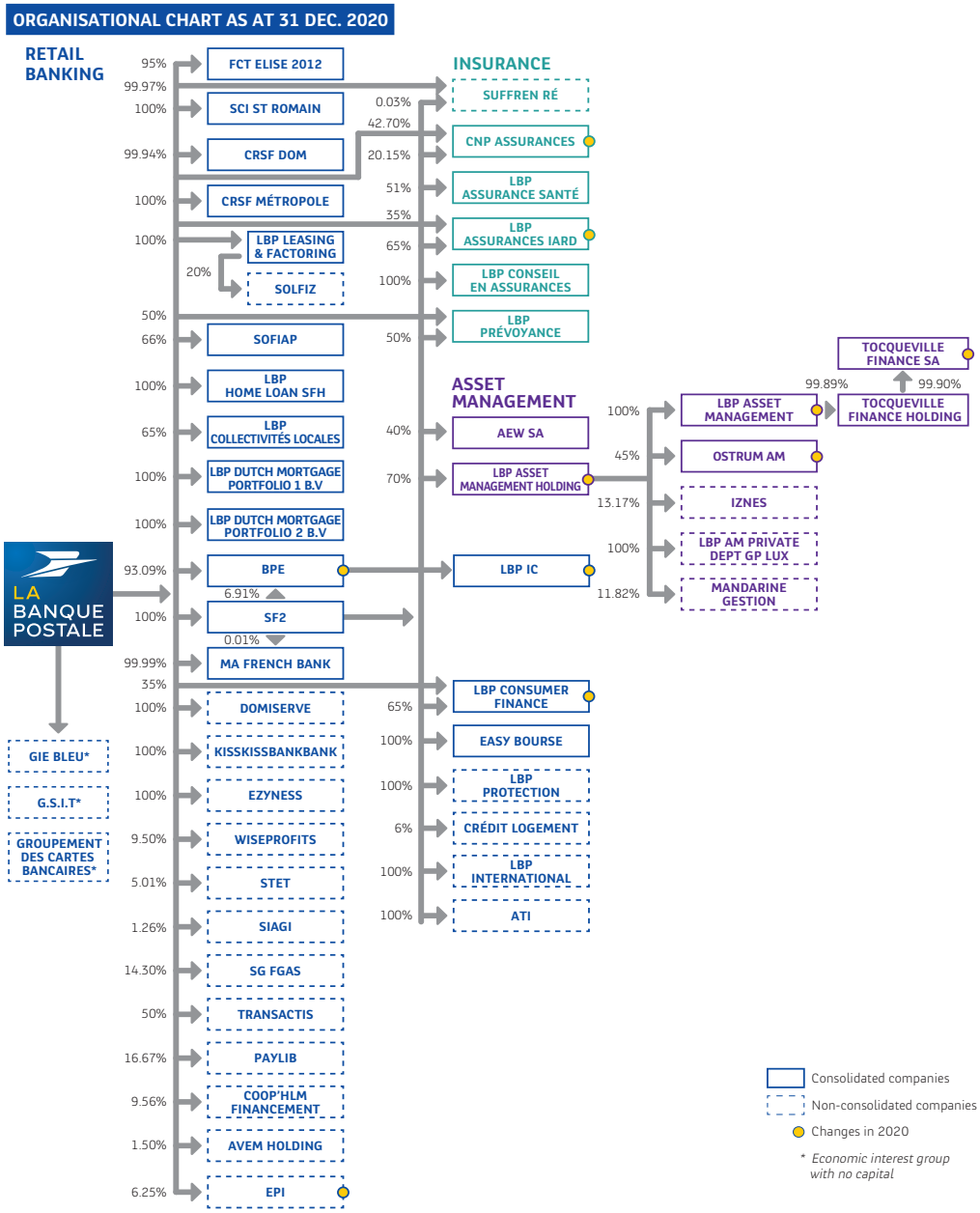
Recent developments

In March 2020, La Banque Postale became the majority shareholder of CNP Assurances. This operation was part of the project to create a large public financial group, announced by the Ministry of the Economy and Finance in August 2018, to strengthen regional cohesion and combat the regional divide by leveraging the expertise of La Banque Postale, Caisse des Dépôts, Bpifrance and CNP Assurances.

In April 2020, La Banque Postale and the Groupama Group announced that La Banque Postale had completed its buyout of Groupama's 35% interest in La Banque Postale Assurances IARD and that the two groups had extended their cooperation in the areas of legal protection and assistance services.

In October 2020, La Banque Postale and Groupe BPCE announced a project to merge the primarily insurance-related euro fixed-income management activities of Ostrum Asset Management and LBP AM on a shared platform. The purpose of the project is to create a leading European manager of insurance company asset portfolios based entirely on socially responsible investment (SRI) principles. LBP AM and its subsidiary Tocqueville Finance are also building a position in the multi-specialist SRI conviction management segment, by helping customers diversify their asset portfolios in order to achieve sustainable, transparent performance.

1.1.6 Group organisation



The organisation chart shown above does not include entities held for sale or that are less than 1% owned.

1.1.7 Organisational structure

La Banque Postale's organisation includes:

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

Operational relations with Le Groupe La Poste

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

Relations between La Banque Postale and La Poste are conducted within the framework of service agreements as provided for by Article 16 of Law no. 2005-516 of 20 May 2005 concerning the regulation of post office business activities, cited above. This arrangement is organised around a master agreement that establishes the general principles and assigns responsibilities between La Poste and La Banque Postale, and 14 implementing agreements covering the following five areas:

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

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

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

Organisation of La Banque Postale

La Banque Postale therefore has:

- its own resources, those of its subsidiaries and of its strategic holdings. Subsidiaries include BPE for private banking and the crowdfunding specialist KissKissBankBank. It can also be a co-shareholder in joint ventures such as the payment systems specialist Transactis held in partnership with Société Générale;
- resources provided by Le Groupe La Poste, notably its network of post offices, banking advisors and customer account managers.

In all, some 30,400 employees work for and on behalf of La Banque Postale[1]. For more details about employees, please refer to "Employee indicators" in the CSR Section of Chapter 6 "Non-financial performance statement".

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

1.2 KEY FIGURES

10.3	338,500	50
MILLION ACTIVE RETAIL CUSTOMERS(1)	BUSINESS AND LOCAL PUBLIC SECTOR CUSTOMERS	MILLION INSURED CNP ASSURANCES

(1) 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.

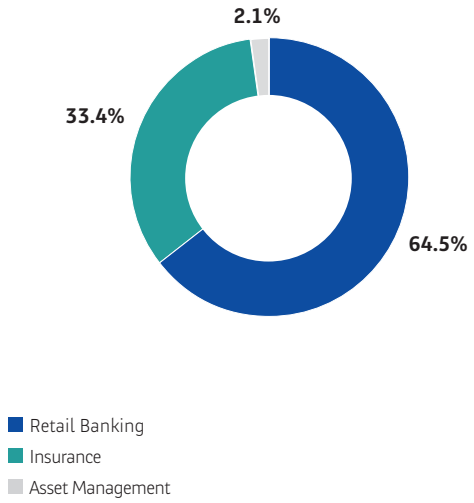
1.2.1 Consolidated results

(in € millions; reported data)	2016	2017	2018	2019	2020
Net Banking Income	5,602	5,687	5,570	5,647	7,724
Operating expenses(2)	4,587	4,619	4,615	4,692	5,711
Gross operating profit	1,015	1,068	955	955	2,013
Cost of risk	181	192	183	178	674
Attributable net profit	694	764	726	780	4,155
Cost/income ratio(3)	82.4%	81.8%	83.4%	83.8%	74.4%

(2) Operating expenses = general operating expenses + net depreciation, amortisation and impairment of property, plant and equipment and intangible assets.
(3) Cost/income ratio = operating expenses/(net banking income - doubtful interest).

1.2.2 Business line contributions to net banking income (NBI)

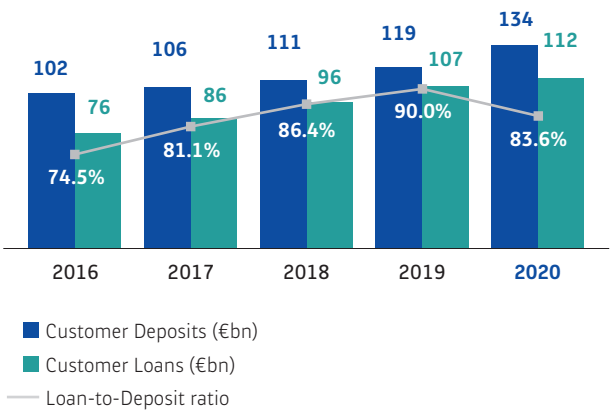
NET BANKING INCOME BY BUSINESS LINE



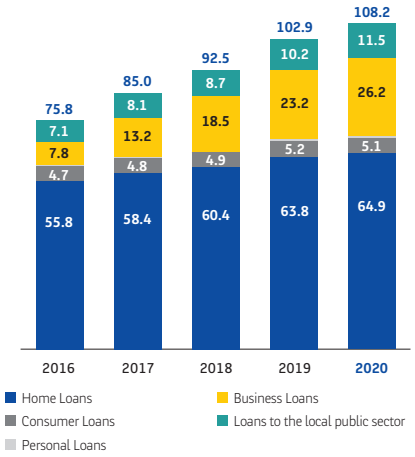
1.2.3 Business activity

(in € billions; reported data)	2016	2017	2018	2019	2020
TOTAL ASSETS	230	231	245	272	737

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



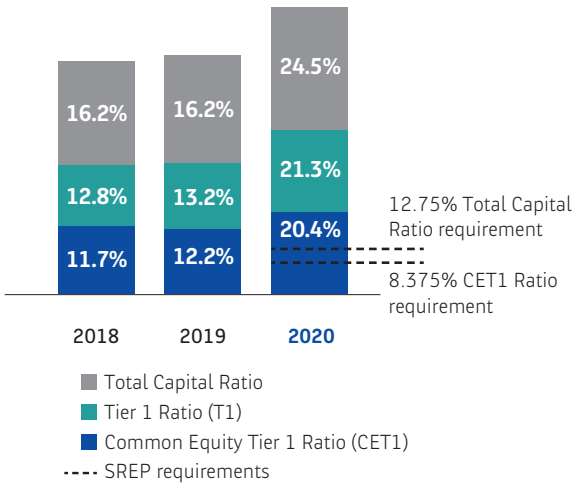
CUSTOMER LOANS *(IN € BILLION)*



1.2.4 Financial structure

La Banque Postale Group's consolidated capital ratios increased in 2020 to levels that exceeded the ECB's Supervisory Review and Evaluation Process (SREP) requirements.

SOLVENCY RATIOS (%)



(1) Customer deposits exclude savings centralised at Caisse des dépôts.

1.2.5 Ratings

La Banque Postale enjoyed good credit ratings at 31 December 2020, reflecting its financial strength and its rigorous risk management:

	Standard & Poor's	Fitch
Long-term ratings	A	A-
Outlook	Stable	Stable
Date updated	27 Oct. 2020	15 Apr. 2020
Short-term rating	A-1	F1

During 2020, Fitch reaffirmed La Banque Postale's short- and long-term ratings of A-/F1 with a Stable outlook. Standard & Poor's reaffirmed La Banque Postale's short- and long-term ratings of A/A-1 and lowered the outlook to Stable due to the environment created by the Covid-19 crisis.

1.3 2030 STRATEGIC PLAN

La Banque Postale is launching its 2030 strategic plan with the objective of becoming France's favourite bank.

The plan is organised around three priorities:

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

Commenting on the 2030 strategic plan, Philippe Heim, Chairman of the Executive Board, said:

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

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

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

1.3.1 Three priorities

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

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

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

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

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

Reaffirm community ambitions to support the just transition

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

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

- finance the energy transition and promote responsible consumption;
- correct emerging inequalities;
- broaden access to impact financing by signing up all of the business lines to this cause;
- give all employees a role in deploying this ambition through the advice and support given to the Group's customers.

All of the initiatives of the new community engagements platform will be presented on **Thursday, 10 June** during the upcoming community banking and insurance symposium (***Assises de la Banque et de l'Assurance citoyennes***).

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

In addition, the **Hello Carbo** software incubated by platform58 will be made available to customers on the online banking site and La Banque Postale app in 2021, to enable them to discover the carbon impact of their transactions and, if they wish, organise carbon offsets.

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

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

The Group is proud of its teams' engagement and their deep commitment to customer service, which led them to pull out all the stops during the Covid-19 crisis.

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

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

Several initiatives to improve the quality of work life will help to enhance the Group's employer brand, with the aim of achieving an employee NPS of +20[1] by 2025. These include offering greater flexibility in organising working arrangements, developing personalised mobility plans and affirming responsible employment policies in terms of diversity, gender balance and integration.

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

1.3.2 Three levers to support major ambitions

Three main levers will drive the development project:

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

Consolidate the Retail Banking base

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

- **La Banque Postale,** the bank for everyone, will step up its drive to win new customers and increase cross-selling, particularly for wealth management and business banking services, with the objective of acquiring over three million new customers by 2025. It will remain firmly committed to its public service mission of offering essential banking services to people who would otherwise be excluded, and assisting customers who are financially vulnerable customers or are not comfortable with digital formats.
- The **Ma French Bank** mobile bank should drive the customer acquisition process, with the **objective of attracting 1.3 million customers by 2025** thanks to a comprehensive consumer finance, savings and insurance offering that is both straightforward and affordable, to be rolled out in the period to 2023.
- **BPE** has deep regional roots and recognised expertise. Leveraging its unique private banking model, it will aim to double its customer deposits by 2025, an increase of €10 billion. It will offer 100%-SRI advisor-directed asset management services from 2021 and deploy its family office expertise. It will become La Banque Postale's specialist wealth management unit and will deepen its regional presence by doubling the number of BPE service desks in post offices to 100 by 2025.

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

- The quality of customer support will be enhanced by deploying a **differentiating CRM model** that uses data more effectively to offer a higher value-added service through digitisation and the pooled management of simple transactions. The objective is for **70% of sale transactions to be carried out using selfcare** or assisted selfcare systems by 2025.

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

- Digitisation and the development of multi-channel processes will be stepped up, with customers given the opportunity to apply for home loans on their mobile phones as from 2021. **From 2022, all traditional bancassurance products will be available on a digital app.** The project to digitise all front-to-back office processes is advancing rapidly and will be completed in 2025.
- Mass processing of low value-added transactions in the middle and back offices and optimised counter service practices will drive improved operational and marketing efficiency.
- With the La Poste network, La Banque Postale has reaffirmed its strategic choice of maintaining a physical presence in all regions. This unique network of 17,000 contact points visited by one million customers per day, combined with a website that attracts three million users per day, enables La Banque Postale to capture the traffic needed to support its strategic development. The **post office** refurbishment plan that has seen 2,600 post offices refurbished in the past five years will continue, with a capital spending budget earmarked for the refurbishment of 300 to 400 post offices per year.

Increase the pace of diversification

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

Build the personal banking franchise

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

LBP AM will consolidate its position as a leader in sustainable finance and expand its diversified conviction management offering, including investments in real assets. This will be achieved by leveraging its globally recognised expertise (34 LBP AM/Tocqueville Finance funds were awarded four or five stars by Morningstar in 2020 for their financial performance). SRI assets under management will increase, helped by external distribution, to **€70 billion in 2025**. The Ostrum AM joint venture set up between La Banque Postale and Natixis, with some €450 billion in assets under management in 2020, will continue to expand its service offering for insurance companies and institutional investors in France and Europe.

Expand the business banking business

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

- The **"originate to distribute"** model (origination, arrangement and syndication) will be promoted, with the aim of applying this model for 25% of new syndicated structured finance deals.
- Financial institutions in France and Europe will be targeted for syndication (DCM, loans) and funding transactions, thanks to dedicated coverage, with the objective of **increasing net banking income from this source by 30% in the period to 2025**.
- La Banque Postale will consolidate its position as the benchmark provider of banking services for all public agencies, in partnership with SFIL, with the objective of achieving a **30% market share by 2025**.

Tap the bancassurance model's potential

CNP Assurances will spearhead the Group's life and non-life insurance businesses, in order to reap the full benefits of the synergies created by the bancassurance model:

- the life insurance operating model between CNP Assurances and La Banque Postale will be revamped by assertively transforming technical reserves and refreshing both product offerings and multi-channel processes. The momentum created by the revamped model should **lift unit-linked sales to around 30%** of new life business by 2025;
- sales of non-life insurance to banking customers will be increased by enhancing the service offering and digitising the customer experience. The aim is to achieve a **100% customer experience digitisation rate** and a **cross-selling rate of over 30% by 2025**[(1)]. In addition, distribution will be diversified (through brokers and retail partnerships) and the offering for professionals and micro-enterprises will be expanded.

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

La Banque Postale of the future will be more international

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

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

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

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

The first pilots will be launched in 2021, with the aim of offering the **first service bundles in 2022**.

(1) Among active customers.

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

La Banque Postale will collaborate with Tech startups by leveraging its **innovation** ecosystem, which will be developed more rapidly around the platform58 incubator that is currently incubating 27 FinTech, AssurTech, SecurTech and RegTech startups. A **€150 million innovation fund to be set up in 2021** will invest in startups with a view to establishing partnerships with the Group's business lines, subsidiaries or corporate functions.

1.3.3 Profitable and sustainable growth (2025 objectives versus 2020)

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

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

The Group's **robust capital base** (with a CET1 ratio of 20.4% in 2020) and **controlled 3.5% growth in RWA** (CAGR in the period to 2025) will ensure that this growth is **sustainable**[(1)].

1.4 PRESENTATION OF THE BUSINESS UNITS AND BUSINESS LINES

The economic and regulatory environment in which La Banque Postale conducts its business is described in Chapters 3 and 4.

1.4.1 Retail Banking

Retail Banking, La Banque Postale's legacy business, offers banking products and services for private individuals. La Banque Postale also works with companies, the social economy and the local public sector. It offers its customers a comprehensive range of banking and insurance products and services aligned with the principles of responsible finance.

Key figures

€4,981 million in net banking income
10.3 million active retail customers[(2)]
338,500 business and local public sector customers
€339.2 billion in managed savings
€108.2 billion in outstanding loans

(1) Excluding Basel IV impact.

(2) According to the new segmentation applied since 2019, active individual customers correspond to the "Core Clientele" of individual customers, including committed and non-committed customers who have purchased several different La Banque Postale products. A committed customer is a customer whose revenue is paid into their account with La Banque Postale.

In 2020

- Success of La Banque Postale's mobile bank, Ma French Bank, confirmed with some 280,000 customers signed up by the end of 2020.
- La Banque Postale Immobilier Conseil (LBP IC) acquired by La Banque Postale's private banking subsidiary, BPE.
- BPE Patrimoine & Forêts consortium set up in partnership with Société Forestière (a subsidiary of Caisse des Dépôts and CNP Assurances), providing a vehicle for BPE's wealth management customers to invest in sustainably managed woodland.
- Micro-DON startup acquired by La Banque Postale's subsidiary KissKissBankBank & Co, a pioneer in crowdfunding in France and Europe.
- La Banque Postale's 5% interest in SFIL sold to Caisse des Dépôts, bringing this regional development bank under the umbrella of the large public financial group headed by Caisse des Dépôts. In parallel, the Group renewed in advance its partnership with SFIL through to the end of 2026, for the distribution of medium- and long-term loans to local public agencies and public hospitals.
- Instant payments service launched in the Single Euro Payments Area (SEPA) through Transactis, a joint venture between La Banque Postale and Société Générale.

INDIVIDUAL CUSTOMERS

La Banque Postale offers a complete range of products and services to private individuals, including deposit accounts, payment methods, savings solutions, home loans, consumer finance and insurance.

It supports its customers' projects, recording a 1.8% increase in home loan originations in 2020.

It is also active with high-net-worth customers. At end-November 2020, La Banque Postale had over 630,000 high-net-worth customers, representing an increase of 2.5% over one year. These customers trust La Banque Postale to build, grow and manage their assets. Among the offers proposed by La Banque Postale, the PASS Patrimoine relationship-led programme has been enriched with the addition of the "Coach Investisseur" module. Developed with one of the startups hosted by La Banque Postale's Plateforme58 incubator, this new module is designed for high-net-worth customers who want to invest in real estate.

In May 2020, the BPE private banking subsidiary deepened its property management expertise by acquiring La Banque Postale Immobilier Conseil (LBP IC), which was also subsidiary of La Banque Postale.

The offering for customers in the 16-25 age group was expanded and refreshed in 2020 with the launch of the #TalentBooster offering. And La Banque Postale geared up for the start of the 2020-2021 academic year by actively promoting its loan offers for students and apprentices.

More than a year after its launch, Ma French Bank has 280,000 customers and is continuing to build its franchise in the youth market, with the launch of the WeStart account for 12 to 17-year olds. This new mobile banking account is easy to open, secure and educational, and is perfectly adapted to the needs and expectations of teenagers and their parents. WeStart is also accessible online and in the 3,000 distributor post offices, for an all-in price of just €2 per month. The results obtained to date by Ma French Bank reflect La Banque Postale's ambition of making mobile banking available to everyone throughout the country and meeting the needs of a young clientele seeking a simple and appealing offer.

La Banque Postale is fully mobilised for all of its customers:

Since 2019, banking fees have been frozen for all customers and financially vulnerable customers benefit from specific measures.

During the Covid-19 crisis, La Banque Postale has worked alongside Le Groupe La Poste to create safe conditions for the payment of social welfare benefits at post office counters or ATMs. In addition, customers receive regular communications to inform them about Covid-19 measures and support them during the crisis. ATM withdrawal limits have been raised automatically for many customers, to make it easier for them to access their cash.

La Banque Postale has gone the extra mile for its customers during the crisis, for example by granting payment relief to borrowers. It has also raised the contactless payment limit and, in a move to make this health measure a socially responsible one too, 2 euro cents are donated to Institut Pasteur for every contactless transaction in excess of €30. Added to this, La Banque Postale donated €1 to Institut Pasteur for every greetings card sent by the Group's employees in 2020. Thanks to these initiatives, as of 31 December 2020, more than €800,000 had already been paid by La Banque Postale to Institut Pasteur.

10.3 million active retail customers[(1)]

€69.5 billion in outstanding deposits (+12.3%)

€87.4 billion in outstanding ordinary savings deposits (+5.7%)

€64.9 billion in outstanding home loans (+1.8%)

€5.1 billion in outstanding consumer loans

(1) According to the new segmentation applied since 2019, active individual customers correspond to the "Core Clientele" of individual customers, including committed and non-committed customers who have purchased several different La Banque Postale products. A committed customer is a customer whose revenue is paid into their account with La Banque Postale.

SUPPORT FOR FINANCIALLY VULNERABLE CUSTOMERS

La Banque Postale supports financially vulnerable customers at all times. Adopting an inclusive definition of what it means to be financially vulnerable, La Banque Postale has stepped up its initiatives in favour of customers with very low revenues and those experiencing temporary financial difficulties. According to the *Observatoire de l'Inclusion Bancaire*, there were 3.4 million financially vulnerable people in France as of end-2019. Of these, 1.4 million were customers of La Banque Postale, making the Group the leading provider of inclusive banking services. The fees charged to these customers for banking incidents are capped at €25 per month. Since 1 November 2020, when decree no. 2020-889 dated 20 July 2020 came into effect, La Banque Postale has updated its definition of financial vulnerability. It has also taken action to detect banking incidents more rapidly and set a cap on the related fees, notably for customers who experience five incidents in a given month or an average of five incidents per month over a three-month period and whose estimated income is less than the SMIC minimum wage (€1,539 gross in 2020). In line with its commitment to providing customers with clear and transparent information, La Banque Postale publishes its financial vulnerability criteria on its corporate website and updates this information if and when the criteria change.

Promotional campaigns in support of the Simplicité low cost account formula available for just €2.30 per month have helped to drive a further increase in the number of contracts held by financially vulnerable customers. As of end-December 2020, there were over 141,000 Simplicité account holders, representing an increase of 25.6% over one year. Account holders benefit from lower fees for banking incidents: €20 per incident, with a cap of €200 per year. The comprehensive support system for financially vulnerable customers comprises a variety of services, such as online banking training sessions, through La Banque Postale's digitally-led inclusive banking plan, and a remote banking and budgeting support service, l'Appui. All of the network's banking advisors receive compulsory training in order to provide the best possible support to these customers.

An innovative social partnership with Créa-Sol, a micro-finance institution, has created scope to move up several gears in the development of personal micro-credit solutions for people who would not be considered for a traditional loan. Créa-Sol has developed a network of partner non-profits that actively promote inclusive banking throughout France, enabling a growing number of micro-credit borrowers to get back on their feet, both socially and in terms of work, thanks to this financing solution. The non-profits help micro-credit borrowers to prepare their loan application and support them during the process, using a digital solution that significantly reduces the time required for the funds to be released. The system's ramp-up slowed considerably during the Covid-19 crisis in 2020, due to a combination of lower demand and the reduced availability of staff at the non-profits to help prepare the loan applications.

In September 2020, La Banque Postale organised its fourth community banking and insurance symposium (*Assises de la Banque et de l'Assurance Citoyennes*). During this event, three of the Group's partnerships were renewed – with the social startup WeTechCare, the PIMMS network of multi-service information and mediation points, and the FACE foundation dedicated to combating exclusion – and a new partnership was established with the digital startup Konexio, which specialises in the digital inclusion of migrant populations. Focusing on prevention and on combating the lack of insurance protection, La Banque Postale and CNP Assurances worked in partnership with Crésus to develop educational tutorials geared to the general public on insurance clauses and guarantees, in order to make their customers aware of the risks associated with being under-insured or not insured at all. In the current environment shaped by the public health crisis, financially vulnerable customers receive enhanced banking and budget assistance and in the event of an insurance claim, they may be granted relief from paying the excess.

THE ACCESSIBLE BANKING MISSION

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

La Banque Postale's Livret A passbook savings account is the key product underpinning the accessible banking mission, as it is available to everyone, easy to set up and use and reassuringly safe. The mission entails specific obligations for La Banque Postale in terms of the distribution and operation of the Livret A, notably the obligation to open an account for anyone who requests one (in accordance with the universal access principle of the Livret A), the obligation to allow cash withdrawals or deposits starting at €1.50 and to authorise certain basic transactions (such as receiving social welfare benefits and setting up direct debits for subsidised housing rents and water, gas or electricity bills).

La Poste and La Banque Postale have bank counter staff and banking advisors in post offices throughout the country tasked with carrying out this mission and guaranteeing real access to basic banking services. They have also developed a human support ecosystem consisting of a wide range of services – translation, budget advice, agreements with non-profits – to facilitate the social and financial integration of people who do not have a bank account and/or whose situation limits their access to traditional banking services.

This mission and the related compensation are reported to the European Commission under the procedure concerning services of general economic interest. On 24 October 2017, the European Commission approved the public service compensation granted to La Banque Postale in order to guarantee access to basic banking services via the Livret A passbook savings account.

Based on their observed behaviours and practices, La Banque Postale estimates that 1.5 million people qualify for basic banking services under the accessible banking mission.

BUSINESSES

La Banque Postale is steadily expanding its business banking network, with over 1,000 employees in 43 business centres, dedicated teams for large corporates and two remote services (telephone and e-mail), a Local Financing Department (serving municipalities with fewer than 5,000 inhabitants) and an "Agence Pro" for professionals. It is continuing to grow this business and provide its expertise to all economic players in support of local economic development, focusing its strategy on:

- a multi-market and multi-product offering;
- a market positioning as a benchmark provider of banking services for large corporates and institutions;
- local commercial relationships with companies and the local public sector, right at the heart of the regions.

THE LOCAL PUBLIC SECTOR

In line with its diversification strategy, La Banque Postale is continuing to grow the local public sector financing business, building on its position as the leading lender to local communities and public hospitals. To support the efforts of local communities to promote environmental transition, in 2019 La Banque Postale launched a green loans offer subject to specific sustainability criteria. This support was maintained in 2020, in recognition of the key role played by local communities in addressing the climate emergency in their regions. Over the past eighteen months, over €1 billion worth of green loans have been granted to fund more than 250 local public sector projects.

La Banque Postale works in partnership with SFIL/CAFFIL via the "Originate to distribute" mechanism, with CAFFIL carrying on its balance sheet the medium- and long-term outstanding loans transferred to it by La Banque Postale.

On 30 September 2020, the French State, Caisse des Dépôts and La Banque Postale announced that Caisse des Dépôts had completed its buyout of La Banque Postale and the State's interests in SFIL. La Banque Postale renewed in advance its partnership with SFIL through to the end of 2026, for the distribution of medium- and long-term loans to local communities and public hospitals.

Alongside its banking activities, La Banque Postale supports the local social care sector via its subsidiary Domiserve, working in three areas: financing (issue of CESU prepaid personal service vouchers), managing assistance plans and arranging personal services. Domiserve manages the distribution of APA personal care allowances and PCH disabled person support allowances in 17 *départements* and cities. Last year's Covid-19 crisis highlighted Domiserve's social value, with the creation of online CESU prepaid personal service accounts and the launch of a service to help people with their shopping, provided by its network of personal service providers. This network has played a key role in combating social exclusion.

SOCIAL HOUSING LANDLORDS

La Banque Postale directly finances seven in ten social housing landlords, covering 90% of all social housing (4.6 million units), with offerings ranging from cash flow management to financing solutions.

SOCIAL AND SOLIDARITY ECONOMY PLAYERS

La Banque Postale is a legitimate partner of the social economy, providing banking services to one in four non-profits in France. Its specialised advisors in the business centres provide support to 5,000 of the main non-profits (foundations, cultural sector, private education, social and solidarity economy actors). Smaller non-profits have access to services in the post offices and over the telephone.

Since February 2020, La Banque Postale's subsidiary La Banque Postale Leasing & Factoring offers cash advances to non-profits that receive government grants to cover their operating costs.

COMPANIES

La Banque Postale is continuing to expand in the commercial lending market. It has a strong presence among large corporates, serving 50% of CAC 40 companies, 53% of the SBF 120, and half of the supplementary pensions market. Alongside the Corporate and Investment Banking unit, it is developing factoring, leasing and other financing services for business customers through La Banque Postale Leasing & Factoring.

Using the know-how accumulated over the years, La Banque Postale is also winning over SMEs and mid-caps, as evidenced by last year's 25% growth in outstanding loans to these customers.

In the self-employed professionals market, La Banque Postale has built its reputation on the quality of its service. Some 430 "pro" customer account managers provide support to entrepreneurs.

SOFIAP, which has been 66%-owned by La Banque Postale and 34% by SNCF since 2014, provides mortgages mainly to SNCF employees and government-subsidised home loans to Engie employees.

€26.2 billion in outstanding corporate loans (+12.5%)

€11.5 billion in outstanding local public sector loans (+12.3%)

338,500 business and local public sector customers

1.4.2 Insurance

La Banque Postale's bancassurance model has been reaffirmed, with an insurance offering comprising life insurance, personal insurance, property & casualty insurance and liability insurance organised around CNP Assurances, which is now 62.84% owned. The offer is aimed at individuals as well as professionals and non-profits.

Key figures

€2,582 million contribution to net banking income

France

CNP Assurances:

Premium income of €16,278 million

LBP Assurances Non-life subsidiaries:

Premium income of €970 million

A portfolio of 4.6 million policies

International

CNP Assurances:

Premium income of €10,357 million

In 2020

- Integration of CNP Assurances into La Banque Postale completed, leading to the full consolidation of CNP Assurances from 4 March 2020.
- Buyout completed of Groupama's 35% interest in La Banque Postale Assurances IARD.
- 20-year exclusive agreement signed between CNP Assurances and Caixa Seguridade to distribute term creditor insurance for *consórcio* loans in the Caixa Econômica Federal network in Brazil.
- 10-year non-exclusive distribution agreement signed between CNP Assurances' Brazilian subsidiary Caixa Seguradora and the Brazilian post office, Correios, for savings and dental insurance products.
- 25-year exclusive distribution agreement finalised between CNP Assurances, Caixa Econômica Federal and Caixa Seguridade, covering the distribution of death & disability insurance, consumer finance term creditor insurance and retirement products (*vida, prestamista, previdência*) through the Caixa Econômica Federal network.

The highlight of 2020 was the integration of CNP Assurances into La Banque Postale. This operation was part of the process to create a large public financial group led by Caisse des Dépôts. La Banque Postale is now CNP Assurances' majority shareholder, with 62.84% of the capital.

The integration of CNP Assurances has been an opportunity for La Banque Postale to consolidate its integrated bancassurance model in France and advance more rapidly in expanding CNP Assurances' multi-partner model both in France and in international markets.

A LEADING INSURER IN FRANCE

A major player in life insurance and supplementary pensions

In France, the life insurance and endowment market is still concentrated. It is dominated by the bancassurers, with traditional and mutual insurers lagging behind. In 2019, the top five players, which include CNP Assurances, held over 53% of the market. CNP Assurances is France's second largest life insurer, with nearly 12% of the market[1], thanks in no small measure to its partners, La Banque Postale and BPCE. In the wealth management market, CNP Assurances has developed innovative offers for many different distribution partners in France and Luxembourg, including private banking institutions, high street banks, family offices, wealth management firms, brokers and independent financial advisors.

CNP Assurances is also present in the supplementary pensions market through Arial CNP Assurances, its joint subsidiary with AG2R La Mondiale. Arial CNP Assurances develops, distributes and manages all types of company pension plans (PER pension savings plans, defined benefit plans, "Article 82" group life insurance plans, outsourced employee liability management). As a mono-line insurer, all of its resources are dedicated to meeting the needs of its customers and partners in terms of benefits strategies and the funding of very-long term commitments. Arial CNP Assurances is France's only mono-line supplementary pensions provider, with around 18,000 companies representing some 851,000 insureds as of end-2020. Its technical reserves at 31 December 2019 stood at €17.7 billion.

In 2020, Savings/Pensions premium income totalled €12,220 million.

€12,220 million in Savings/Pensions premiums

Leader in term creditor insurance

CNP Assurances is ranked no. 1[2] in the highly fragmented term creditor insurance market. Partnering some 200 financial institutions, brokers, social economy players and mutual insurers, CNP Assurances provides wide ranging cover of death, temporary and permanent disability, unemployment and loss of income risks, backed by support and assistance services, to ensure that borrowers are fully protected following the occurrence of an insured event. Full-online underwriting has helped to consolidate CNP Assurances' leadership.

In 2020, term creditor insurance premium income totalled €2,668 million.

€2,668 million in Term Creditor Insurance premiums

A long history in the personal risk segment

La Banque Postale has a long history in the French personal risk insurance and group death and disability insurance markets.

Its subsidiary CNP Assurances has a 5% share of the Group death and disability insurance market and is the leader in the local authority customer segment[3]. It also provides death/disability plans for companies and reinsures the death and disability risks of mutual insurers and employee benefits institutions. CNP Assurances was one of the first insurance companies in France to address the problem of financing long-term care. It is a leading provider of group long-term care insurance and holds 9% of the market for individual long-term care insurance cover (primary and single insured risk)[4]. CNP Assurances offers a selection of compulsory and voluntary participation products allowing insureds to anticipate their future needs in terms of financial and other support in the event of a loss of autonomy.

La Banque Postale Prévoyance, a wholly-owned subsidiary of La Banque Postale, is the fourth[5] largest bancassurance subsidiary in the individual personal risk and group death and disability market.

It has a full range of personal risk insurance products covering all needs in terms of protection from the risks of daily life (including term life insurance, funeral insurance and long-term care insurance) and offering a broad range of services to supplement the financial benefits. The entire offering is sold through La Banque Postale's distribution channels. In group death and disability insurance, La Banque Postale Prévoyance co-insures and reinsures term creditor insurance risks.

In 2020, La Banque Postale Prévoyance had premium income of €481 million. With over 111,000 new policies written in 2020, La Banque Postale Prévoyance had some 2.4 million policies in its portfolio at the end of the year.

€481 million in Personal Risk/Group Death & Disability premiums (excluding CNP Assurances)

A player in individual and group health insurance

La Banque Postale is present in the Group health insurance market through its subsidiary, CNP Assurances, which offers supplementary health insurance plans to local authorities and companies. It also provides reinsurance cover for mutual insurers and employee benefits institutions.

In health insurance, La Banque Postale Assurance Santé (which is 51%-owned by La Banque Postale, 35% by Mutuelle Générale and 14% by Malakoff Médéric) specialises in supplementary health insurance and serious health event insurance distributed by La Banque Postale's networks.

In 2020, La Banque Postale Assurance Santé had premium income of €89 million. With some 36,000 new policies written in 2020, it had over 174,000 contracts in its portfolio at the end of 2020.

€89 million in Health insurance premiums (excluding CNP Assurances)

(1) 2019 key data, Fédération Française de l'Assurance, September 2020.

(2) Premium income, 2019 key data, Fédération Française de l'Assurance, September 2020; Top 10 term creditor insurance providers by premium income (including inward reinsurance), Argus de l'Assurance, September 2020.

(3) Source: Fédération Française de l'Assurance for insurance companies and Pair Conseil for mutual insurers and employee benefits institutions.

(4) Personal risk insurance policies in 2019, Fédération Française de l'Assurance, July 2020.

(5) 2019 death and disability rankings, Argus de l'Assurance, April 2020.

A growing position in property & casualty insurance

In April 2020, La Banque Postale and the Groupama Group announced that La Banque Postale had completed its buyout of Groupama's 35% interest in La Banque Postale Assurances IARD and that the two groups had extended their cooperation in the areas of legal protection and assistance services.

La Banque Postale Assurances IARD – now wholly-owned by La Banque Postale – offers individuals a range of property & casualty insurance products. The core products are auto insurance, comprehensive homeowners insurance including legal protection cover, and accident insurance offered to customers via La Banque Postale's multi-channel distribution system (telephone, internet and post offices).

In a very competitive and low-growth market, La Banque Postale Assurances IARD sold nearly 400,000 million policies in 2020 and had some 2.1 million policies in the portfolio at the end of the year, an increase of 14.8%. Its premium income totalled €399 million.

€399 million in Property & Casualty Insurance premiums

A service-led differentiation strategy

La Banque Postale and CNP Assurances pay close attention to the services included in their offers, both for partners and for insureds, and have acquired growing expertise in support services through their dedicated subsidiaries. Filassistance International, a member of the Assuristance sub-group owned jointly by CNP Assurances and Swiss Life, has developed an array of personal assistance services drawing on the best that new technologies and one-to-one interactions have to offer. More than eight million policyholders have access to the assistance provided by its network of 10,000 service providers. Filassistance International's network is supported by Age d'Or, which operates a network of around a hundred home care agencies (in 2020). Lyfe, a digital health, wellness and healthy ageing services platform, offers members of mutual insurance companies and employee benefits institutions, and employees of member companies, a range of prevention and coaching services, as well as assistance in accessing healthcare and help-for-carers networks.

EXPANDING INTO INTERNATIONAL MARKETS

CNP Assurances leverages its multi-partner model to design and develop life insurance, savings/pensions and term creditor insurance products. Its core markets are Europe and South America. In 2020, premium income generated in international markets totalled €10,357 million.

Latin America, a growing market

CNP Assurances' Brazilian subsidiary Caixa Seguradora is owned jointly with Caixa Econômica Federal, the country's second-biggest state-owned bank. Caixa Econômica Federal plays a major social and economic role, with a deep network of branches serving the local population throughout the country. Caixa Seguradora is Brazil's third-biggest insurance company[1]. Responding to new needs, it offers products for companies and individuals, focusing on Brazil's emerging middle class. The Company is particularly active in the retirement savings market and is the unchallenged leader in term creditor insurance for home-buyers, with 57.5% of the market. In death and disability insurance, it occupies sixth place with a 6.9% share.

In the twelve months to November 2020, Caixa Seguradora expanded its share of this highly concentrated market by 50 basis points, to approximately 12.1%, with growth led by the pensions business[2].

Caixa Seguradora played a pioneering role in digital insurance solutions with the launch of Youse, a 100%-digital insurance platform. Youse is the Brazilian subsidiary's direct channel for auto insurance, comprehensive homeowners insurance and death and disability insurance. As of end-2020, it had signed up over 174,000 customers and had a portfolio of more than 215,000 active policies.

€5,328 million in premium income in South America

At the heart of a niche European market

With operations in 16 countries[3], CNP Assurances is Europe's seventh largest insurance company[4].

With UniCredit in Italy

The partnership between CNP Assurances and UniCredit through their joint subsidiary CNP UniCredit Vita, which was rolled over in 2017 until 2024, covers distribution of a full range of insurance products in central and southern Italy, Sardinia and Sicily. A dedicated marketing support team has been set up to promote sales of unit-linked savings products, individual personal risk insurance and term creditor insurance, in line with CNP Assurances' strategic refocusing of the product mix. CNP UniCredit Vita has a 2.8%[5] share of the Italian life insurance market, which contracted by 9.9% over the twelve months to end-November 2020.

Open model distribution to drive growth

Santander Consumer Insurance distributes CNP Assurances' term creditor insurance offer in 11 countries. More than half of the partnership's term creditor insurance premiums are generated in Germany, while Spain, Poland and the Scandinavian countries account for most of the rest.

In Cyprus, CNP Assurances consolidated its presence in 2019 by becoming the sole owner of CNP Cyprus Insurance Holdings with 100% of the capital. In an economy enjoying sustained growth, CNP Cyprus Insurance Holdings is the leading non-life insurer with 13.7% of the market and the second-largest life insurer with a 25.4% share[6].

€5,028 million in premium income in Europe (excluding France)

(1) Data published in November 2020 by SUSEP (Brazilian insurance supervisor that oversees Caixa Seguradora).

(2) Source: insurance market data by class taken from the databases of Brazil's insurance supervisor, SUSEP, November 2020:

(3) Austria, Belgium, Cyprus, Denmark, Finland, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain and Sweden.

(4) Source: Bloomberg, end-November 2020, size ranking based on each company's annual consolidated financial statements.

(5) Source: Italian national association of insurance companies (ANIA), November 2020.

(6) Source: Insurance Association of Cyprus (IAC) for market data up to end-September 2020.

1.4.3 Asset management

The third-party asset management subsidiaries provide the expertise that enables La Banque Postale to offer its customers – retail customers, businesses and institutions – a full range of savings and investment products covering traditional financial markets as well as more diversified asset classes. The business includes the activities of La Banque Postale Asset Management (LBP AM), the real estate portfolio management activities of AEW Ciloger and the fixed-income management activities of OSTRUM AM.

Key figures

€161 million contribution to net banking income

€66.8 billion in assets managed by LBP AM

€447.9 billion in assets managed by OSTRUM AM

€33.9 billion in assets managed by AEW Europe

In 2020

- Primarily insurance-related euro fixed-income management activities of Ostrum Asset Management and LBP AM merged on a shared platform.
- LBP AM repositioned as a multi-specialist SRI conviction manager.
- LBP AM's entire open-end fund offer labelled SRI, meeting the objective set in April 2018. With its subsidiary Tocqueville Finance, LBP AM retains its position as the leading non-specialist manager by number of SRI funds, with 103 labelled funds as of 31 December 2020.
- LBP AM rated A+ for the Strategy & Governance module in the most recent Principles for Responsible Investment (PRI) assessment.

LBP AM AND TOCQUEVILLE FINANCE, CONVICTION MANAGERS

La Banque Postale Asset Management (LBP AM) is 70%-owned by La Banque Postale, 25% by Aegon Asset Management and 5% by Malakoff Médéric.

LBP AM provides a wide range of savings products for private individuals and solutions for institutional investors. In April 2018, it was the first European asset manager to publicly commit to applying socially responsible investing principles to all of its assets under management by end-2020, in line with its community values. Since then, it has confirmed this commitment to responsible finance and all of its eligible open-end funds are now labelled SRI.

2020 was another landmark year for LBP AM, which has become a multi-specialist conviction manager and a leader in socially responsible investing. LBP AM and its subsidiary Tocqueville Finance have €66.8 billion of assets under conviction management (at 31 December 2020). They offer four high value-added investment desks: equities (Tocqueville Finance); property and private assets; multi-asset and absolute return, and quantitative investment management using systematic strategies. The four investment desks all incorporate systematic, cross-cutting ESG analysis based on the innovative proprietary GREaT[(1)] method and adopt a policy of active engagement.

As this method extends to all asset classes, LBP AM is seeking to roll it out further as part of new SRI service offerings. As well as creating personalised SRI thematic funds, it has the ambition of helping customers build and implement their own responsible investment strategies.

True to its pioneering role in sustainable investment, LBP AM aims to strengthen its status as a sustainable finance leader by focusing on four priorities: Climate, Human Rights & Equality, Biodiversity and Regional Development.

Its offer meets the emerging long-term investment needs of individual customers saving for their retirement and provides tailor-made risk management solutions for institutional investors. In addition to its current partners and customers, LBP AM will also target distributors looking for value-added and high-performing investment products.

Tocqueville Finance, an LBP AM subsidiary since 2018, specialises in conviction management of European equity funds distributed in France and internationally to private individuals and institutional investors. At the end of 2020, Tocqueville Finance had €3.2 billion in assets under management (excluding LBP AM delegated management).

€66.8 billion in assets managed by LBP AM

103 LBP AM funds labelled SRI, making LBP AM (with its subsidiary Tocqueville Finance) the leading SRI fund manager in France by number of funds

€3.2 billion in assets managed by Tocqueville Finance, excluding LPB AM delegated management

(1) GREaT: responsible Governance – sustainable management of natural and human Resources – Energy and economic transition – Territorial (regional) development.

OSTRUM AM: PRIMARILY INSURANCE-RELATED FIXED INCOME MANAGEMENT

On 31 October 2020, La Banque Postale and Natixis finalised the agreement to merge the primarily insurance-related fixed income management activities of OSTRUM AM and LBP AM. The merger created one of Europe's leading asset managers, with €447.9 billion in assets under management at 31 December 2020.

This merger of the primarily insurance-related fixed income management activities of La Banque Postale and Natixis within OSTRUM AM, which is 55%-owned by Natixis (through Natixis Investment Managers) and 45% by La Banque Postale (through its asset management business) has given these businesses increased scale in an environment shaped by persistently low interest rates.

As a leading manager of insurance-related fixed income securities, OSTRUM AM now has two separate and autonomous service offers – asset management and investment services. It has placed the customer at the centre of its organisation by setting up two customer-facing teams to manage the entire relationship, one dedicated to asset management and the other to the service platform.

OSTRUM AM has developed a modular investment services offer to provide institutional investors and asset management firms with appropriate keys to understanding a complex market environment and provide them with better visibility. Several asset managers and major institutional customers have already signed up for this service offer based on a powerful technology platform. Combining simplicity and safety, the platform allows a high level of personalisation while at the same time operating seamlessly alongside the customer's existing tools and services. Customers, whether they be asset managers or owners (insurers, pension funds, large corporates) assemble their service offer by combining several building blocks – a common data management and processing base, front and middle office tools, order placing service – according to their needs.

Supported by a continuous innovation strategy to keep pace with customers' needs and changing regulations, this business is central to OSTRUM AM's development and investment strategy and already contributes about a quarter of its revenues.

With €447.9 billion of assets under management, of which around 75% consist of insurance-related portfolios, OSTRUM AM is one of Europe's top 10 institutional asset managers serving insurers, pension funds and large corporates that have an obligation to match fund their liabilities. To meet the needs of these customers, OSTRUM AM leverages the strengths of the two legacy companies – historical expertise in fixed income management and recognised skill in managing insurance-related assets. As a responsible and engaged player, OSTRUM AM has strong SRI ambitions. ESG screens will be applied to all of its investments from 2021, and by 2022, 98% of the assets held in open-end funds will be labelled SRI. Expanded research teams will analyse corporate issuers, ESG data and green bonds, while an ESG strategy unit will provide backup for the managers who will use LBP AM's proprietary methodology. OSTRUM AM will deepen its policy of engaging with issuers through constructive dialogue and will set even more ambitious climate goals.

To underscore the change and support these development ambitions, OSTRUM AM is changing its positioning and corporate identity but is keeping its name, which is well known in the market. Its new tagline, "*Amplifying your power to act*", describes the direction of its move: by investing, OSTRUM AM prolongs its customers' commitments to their own customers and contributes alongside them to insuring the life plans, health and pension of European policyholders.

€447.9 billion in assets managed by OSTRUM AM

AEW CILOGER REAL ESTATE ASSET MANAGEMENT

Within AEW S.A. (a subsidiary 40%-owned by La Banque Postale alongside Natixis Investment Managers, a BPCE Group subsidiary), AEW Ciloger is the regulated asset management company for the AEW Group's institutional asset management and retail fund management activities in France. It has special expertise in creating and managing real estate funds and portfolios on behalf of institutional clients and real estate funds offered to retail investors.

AEW Ciloger manages SCPIs (non-trading property companies) and OPCIs (real estate funds) for retail investors, and assists numerous investors with their real estate investments. It ranks among the top five players in real estate fund management in France and is developing expertise in all aspects of the third-party real estate asset management business.

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

At 31 December 2020, AEW Europe's assets under management totalled €33.9 billion, an increase of 5.7% compared to end-2019.

€33.9 billion in assets managed by AEW Europe

1.5 2020 HIGHLIGHTS

JANUARY

Lydia completed a new €40 million fund-raising round led by Tencent. CNP Assurances' corporate venture fund, Open CNP, took part in the fund raising alongside the other historical shareholders and is continuing to support both the team and its strategic vision.

Anticipa, CNP Assurances' health and death/disability offer for employees of four large ministries and their families, is now deployed as a full online product.

FEBRUARY

Three LBP AM funds, *LBPAM ISR Actions Euro*, *LBPAM Responsable Actions Europe*, *LBPAM ISR Actions Environnement*, were included in Climetrics' top 5 European equity funds for climate performance.

The online life insurance contract EasyVie, launched in 2018 by EasyBourse (La Banque Postale's e-broker) in partnership with CNP Assurances, was enhanced with the addition of a 100%-SRI discretionary management formula, "Easy Actions Citoyen".

MARCH

La Banque Postale became the majority shareholder of CNP Assurances, as part of the project to create a large public financial group, announced by the Minister for the Economy and Finance in August 2018.

The French State, Caisse des Dépôts and La Banque Postale announced that they had signed a binding agreement for the buyout by Caisse des Dépôts of La Banque Postale's 5% interest in SFIL and the State's 75% interest except for one ordinary share that will be retained by the State.

CNP Assurances' corporate venture fund, Open CNP, announced that it had acquired shares in Paylead, a fintech specialised in creating loyalty programmes based on advanced banking data analytics.

APRIL

La Banque Postale and the Groupama Group announced that La Banque Postale had completed its buyout of Groupama's 35% interest in La Banque Postale Assurances IARD and that the two groups had extended their cooperation in the areas of legal protection and assistance services.

MAY

La Banque Postale Asset Management (LBP AM) unveiled a new suite of SRI and Greenfin-labelled funds and announced that it had pledged support for new climate initiatives, through Climate Action 100+, and human rights, initiatives through the ICCR.

CNP Assurances announced its withdrawal from the tobacco sector by signing the Tobacco-free Finance Pledge.

La Banque Postale's private banking subsidiary, BPE, acquired La Banque Postale Immobilier Conseil, a company specialised in direct real estate investments.

JUNE

CNP Assurances set up a governance mechanism for artificial intelligence ethics.

La Banque Postale successfully completed its €750 million 6-year Senior Non-Preferred Notes issue.

La Banque Postale launched its instant payment service in Europe.

Natixis and La Banque Postale signed the merger agreement combining the primarily insurance-related fixed income management businesses of Ostrum Asset Management (OSTRUM AM) and La Banque Postale Asset Management (LBP AM) that was announced in December 2019.

La Banque Postale gave new impetus to its asset management subsidiary and SRI pioneer, LBP AM, which became a multi-specialist conviction management firm championing sustainable finance.

CNP Assurances announced that it had successfully placed €750 million worth of subordinated bonds due 30 June 2051.

JULY

CNP Assurances adopted a plan to withdraw completely from thermal coal in the European Union and OECD countries by 2030 and the rest of the world by 2040.

Arial CNP Assurances, France's leading mono-line company pensions provider, and Natixis Interépargne, the benchmark employee savings plan provider, pooled their expertise to offer companies a comprehensive employee savings and pensions solution including the new PER employee pension savings plans introduced in the Pacte Law.

In its first rating exercise since CNP Assurances was integrated with La Banque Postale, Fitch Ratings assigned an A+ financial strength rating with stable outlook to CNP Assurances.

La Banque Postale's subsidiary KissKissBankBank & Co, a pioneer in crowdfunding in France and Europe, acquired the MicroDON startup.

AUGUST

CNP Assurances announced the signature of a framework agreement concerning a 20-year exclusive distribution agreement with Caixa Seguridade in Brazil to distribute term creditor insurance for *consórcio* home loans and auto loans in the Caixa Econômica Federal network.

SEPTEMBER

CNP Assurances announced the signature of a ten-year non-exclusive agreement in Brazil between Caixa Seguradora and the Brazilian Post Office, Correios, for the distribution of savings and dental insurance products.

La Banque Postale organised its fourth community banking and insurance symposium (*Assises de la Banque et de l'Assurance citoyennes*) and stepped up its engagement in favour of sustainable finance. During the symposium, CNP Assurances announced that it had signed the Principles for Sustainable Insurance.

CNP Assurances launched CNP IMMO PRESTIGE enabling private savers to invest in the French capital's prime real estate.

La Banque Postale's private banking subsidiary, BPE, in partnership with Société Forestière (a subsidiary of Caisse des Dépôts and CNP Assurances) launched the BPE Patrimoine & Forêts consortium to provide a vehicle for BPE's wealth management customers to invest in sustainably managed woodland.

The French State, Caisse des Dépôts and La Banque Postale announced that Caisse des Dépôts had completed its buyout of the State's interest in SFIL, except for one ordinary share that has been retained by the State, and La Banque Postale's interest.

OCTOBER

At the Trophées de l'Assurance 2020 awards, La Banque Postale won the Policyholder Services Trophy in the "Outstanding service" category for the solidarity measures deployed during the Covid-19 crisis. During the same ceremony, CNP Assurances won two Innovation Trophies for its ethical-by-design artificial intelligence platform and its advertising campaign, #HorsDesCases (#OutsideTheBox).

LBP AM announced that it was stepping up its sustainable investment strategy in the area of private infrastructure debt and also announced the publication of its revamped report on the Energy Transition Law.

CNP Assurances was awarded the new Happyindex®/Trainees Alternance 2021 label and the Happyindex®/Trainees label for the second year running.

La Banque Postale successfully completed its €500 million 10.25-year Tier 2 Subordinated Notes issue.

La Banque Postale and Natixis finalised the merger of the primarily insurance-related fixed income management activities of OSTRUM AM and LBP AM to create one of Europe's leading asset managers.

La Banque Postale completed the reorganisation of its asset management business, transforming its LBP AM subsidiary into a multi-specialist conviction management firm with a leadership position in sustainable finance.

NOVEMBER

La Banque Postale's mobile bank, Ma French Bank, expanded its product line-up with the launch of the WeStart account for teenagers.

Open CNP accompanied the first €20 million fund raising by TEHTRIS, Europe's leading provider of technological solutions to combat cyber espionage and cyber sabotage.

Under the patronage of the Secretary of State to the Prime Minister for Persons with Disabilities, BPE and its subsidiary La Banque Postale Immobilier Conseil signed a formal agreement to promote employment of people with disabilities and their carers.

CNP Assurances won the Gold Award at the Trophées Marketing 2020 awards for its advertising spots in support of the charity sector broadcast during the Covid-19 crisis.

DECEMBER

CNP Assurances announced that it had successfully placed €500 million worth of Tier 3 subordinated notes due 2028.

CNP Assurances joined forces with CDC Habitat, Préfon and Allianz Vie to help public sector workers obtain housing in deprived neighbourhoods.

Tocqueville Finance, a subsidiary of LBP AM, was selected to participate in financing the French healthcare sector, following a call for tenders organised by Fédération Française des Assureurs (FFA) and Caisse des Dépôts.

LBP AM completed its transition to 100% SRI asset management, fulfilling the commitment made in 2018 and confirming its position as the leader in sustainable finance.

CNP Assurances announced the finalisation of its new long-term exclusive distribution agreement with Caixa Econômica Federal in Brazil.

CORPORATE GOVERNANCE 2

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2.1 REPORT OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE

This report was drawn up by the Supervisory Board at its meeting on 24 February 2021, in accordance with Article L. 225-68 of the French Commercial Code.

2.1.1 Reference Corporate Governance Code

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

La Banque Postale complies with most of the Code's recommendations, allowing for the fact that it is administered by a Supervisory Board and an Executive Board, that it has only one shareholder and its shares are not traded on a regulated market, and that it is governed by specific regulations, including government order no. 2014-948 of 20 August 2014 on the governance and corporate actions of State-owned companies, which notably requires:

- a significant proportion of the seats on the Supervisory Board, i.e., one-third, to be held by employee representatives;
- where applicable, the presence on the Supervisory Board of one member designated by the French State and/or members proposed by the State and elected by the General Meeting.

Application of the Afep/Medef Code

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

AFEP/MEDEF CODE RECOMMENDATION	COMPANY PRACTICE COMMENTS
Recommendation 9.3 **Independent directors** "In controlled companies, independent directors should account for at least a third of Board members. Directors representing the employee shareholders and directors representing employees are not taken into account when determining these percentages."	***Company practice:*** In 2020, 30% of Board members were independent, excluding members representing employees. ***Comments:*** This difference is due to the fact that the Company has only one shareholder. The threshold of 33% of independent members is met if the member designated by the State in accordance with legislative and regulatory requirements is not taken into account.
Recommendation 14.1 **Duration of terms** "The duration of directors' terms of office, laid down by the Articles of Association, should not exceed four years, so that the shareholders can express their wishes regarding their term of office with sufficient frequency."	***Company practice:*** The term of office of the members of the Supervisory Board is five years. ***Comments:*** Law no. 83-675 of 26 July 1983 on the democratisation of the public sector required Supervisory Board members to be appointed or elected for five-year terms. In 2016, at the time of the switch to the regime introduced in government order no. 2014-948 relating to the governance and corporate actions of State-owned companies, the Company decided to maintain the five-year term as it considered that this term of office allowed the Board to operate efficiently and effectively. This decision was supported by the fact that the Company has only one shareholder and that the shareholder's directors are also elected for a five-year term.
Recommendation 14.2 **Staggering of terms** "Terms should be staggered so as to avoid replacement of the entire body and to favour a smooth replacement of directors."	***Company practice:*** The terms of office of all members expire at the end of the same five-year period. ***Comments:*** Law no. 83-675 of 26 July 1983 relating to the democratisation of the public sector required the Company to re-appoint or re-elect all members of the Supervisory Board at the same time. In 2016, at the time of the switch to the regime introduced in government order no. 2014-948 relating to the governance and corporate actions of State-owned companies, the Company decided that not staggering the terms of office of the Board members did not have any adverse effect on the Board's efficiency or effectiveness. Furthermore, this decision does not prevent incumbent members of the Supervisory Board from being regularly re-elected.

AFEP/MEDEF CODE RECOMMENDATION	COMPANY PRACTICE COMMENTS
Recommendation 16.1 **Audit Committee: number of independent members** "The proportion of independent directors on the Audit Committee should be at least equal to two-thirds."	***Company practice:*** In 2020, two of the five Financial Statements Committee members were independent, not counting the members representing employees. ***Comments:*** Of the seven members of the Financial Statements Committee, two members represent the employees and another represents the French State. The four other members are Supervisory Board members elected by the General Meeting, two of whom are qualified as independent; i.e., a total of 50% of the Financial Statements Committee members are independent, excluding the members representing employees and the State. In light of the many issues examined by the Committee and their technical nature, members are chosen primarily for their skills and expertise, as well as their availability.
Recommendation 17.1 **Nominations Committee: membership** "[The Nominations Committee] must not include any executive officer and must mostly consist of independent directors."	***Company practice:*** Between 4 March 2020 and 24 February 2021, the Appointments Committee did not have a majority of independent members; three of the six members were independent, not counting the members representing employees. ***Comments:*** Since 24 February 2021, three of the Committee's five members are independent, i.e., 60%, not counting the members representing employees, in line with the Afep/Medef recommendation.
Recommendation 17.2 **Nominations Committee: selection of new directors** "[The Nominations Committee] should organise a procedure for the nomination of future independent directors and perform its own review of potential candidates before the latter are approached in any way."	***Company practice:*** The Appointments Committee does not currently have a formal procedure for the selection of independent directors, but has begun working on this issue. ***Comments:*** Before expressing an opinion on candidates, the Appointments Committee carefully examines their skills, experience and availability as well as the possible existence of conflicts of interest.
Recommendation 20 **Ethical rules for directors** **Holding of shares by directors** "[…] In the absence of legal provisions to the contrary, a director should personally be a shareholder and, by virtue of the provisions in the Articles of Association or the internal rules, hold a minimum number of shares that is significant in relation to the remuneration awarded. If he or she does not hold these shares when assuming office, he or she should use his or her directors' remuneration to acquire them. The director will notify the corporation of this information, which will publish it in its report on corporate governance".	***Company practice:*** The members of the Supervisory Board are not required to be shareholders in the Company. ***Comments:*** The fact that members of the Supervisory Board do not hold a significant number of shares is explained by the specific nature of the Company's ownership structure. All* of La Banque Postale's shares are held by its parent company, La Poste, and are not admitted to trading on a regulated market. As La Poste does not wish to open up the share capital to other investors, share ownership by Supervisory Board members would not make sense with regard to the philosophy of the Afep/Medef Code in the absence of a market for the shares.
Recommendation 23 **Requirement for company officers to hold shares** "The Board of Directors defines a minimum number of registered shares that the Company officers must retain through to the end of their term of office. This decision is reviewed at least on each extension of their term of office."	***Company practice:*** The members of the Executive Board do not hold any shares in the Company. ***Comments:*** The fact that members of the Executive Board do not hold any shares is explained by the specific nature of the Company's ownership structure. All* of La Banque Postale's shares are held by its parent company, La Poste, and are not admitted to trading on a regulated market. As La Poste does not wish to open up the share capital to outside investors, share ownership by Executive Board members would not make sense with regard to the philosophy of the Afep/Medef Code in the absence of a market for the shares.

* Except for one share held by the Chairman of the Board.

2.1.2 Company practices

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

Agreements still in effect in 2020

Date	Purpose
3 April 2015	Framework protocol agreement, replacing the preliminary protocol agreement of 18 February 2015 signed with Malakoff Médéric, La Mutuelle Générale and La Banque Postale Assurance Santé concerning health insurance, amended by addendum no. 1 of 17 January 2017.
25 March 2016	General framework protocol agreement with CNP Assurances, replacing the preliminary protocol agreement of 18 December 2015 concerning life insurance, endowment contracts, term creditor insurance and personal risk insurance.
27 February 2018	Commitment to pay compensation for loss of office to Rémy Weber, Chairman of the Executive Board.
27 February 2018	Commitment to pay compensation for loss of office to Marc Batave, member of the Executive Board.
31 July 2019	Binding memorandum of understanding signed between the French State, Caisse des Dépôts et Consignations (CDC), La Poste and La Banque Postale on the creation of a major public financial consortium serving mainland France and the overseas territories, including through the creation of a public bancassurance unit around La Banque Postale and CNP Assurances, together with all associated documentation, notably a firm and irrevocable agreement between the State, CDC and the Company regarding the purchase by CDC of a stake in SFIL.
20 December 2019	Interim shareholders' agreement concerning CNP Assurances, between the French State, Caisse des Dépôts et Consignations, Sopassure and La Banque Postale.

Agreements authorised and signed in 2020

Date	Purpose
28 June 2020	Memorandum of understanding between Natixis Investment Managers, Ostrum Asset Management, Sèvres LBP 1 and La Banque Postale Asset Management, to which Natixis Investment Management Finance, Natixis, BPCE and La Banque Postale are also parties, setting the framework for the reorganisation of the asset management business.
22 July 2020	Sale by La Banque Postale and SF2 to La Banque Postale Asset Management of the 3,700 shares making up the capital of Sèvres LBP 2.

Financial authorisations granted by the General Meeting of shareholders and their use in 2020

General Meeting	Purpose of the authorisation given to the Executive Board	Authorisation period	Limit	Use in 2020
None	None	None	None	None

Conditions for shareholder participation in the General Meeting

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

Disclosures required by Article L. 22-10-11 of the French Commercial Code

In accordance with Article L. 22-10-11 of the French Commercial Code, the following information should be disclosed and, if necessary, explained if it would be likely to have an impact in the event of a takeover bid.

La Banque Postale's current ownership structure makes it impossible for the Company to be the target of a takeover bid as its shares are not admitted to trading on a regulated market. However, the disclosures required by Article L. 22-10-11 of the French Commercial Code are referred to in this document (disclosures concerning other obligations) or are made directly below:

1. the Company's ownership structure: this information is provided in Chapter 1 "Presentation of La Banque Postale Group";
2. statutory restrictions on the exercise of voting rights and the transfer of shares, or clauses in the agreements brought to the Company's attention in application of Article L. 233-11: none (see chapter 8 "Articles of Association");
3. direct or indirect investments in the Company's share capital that it is aware of pursuant to Articles L. 233-7 and L. 233-12: none (see Chapter 1 "Presentation of La Banque Postale Group");

4. list of the holders of any securities conferring special control rights and a description of these rights: none of the Company's securities confer special control rights;
5. control mechanisms stipulated under any employee share ownership scheme, where control rights are not exercised by the employees: not applicable. The Company does not have an employee share ownership scheme;
6. shareholder agreements that the Company is aware of and which may result in restrictions on the transfer of shares and the exercise of voting rights: not applicable. La Banque Postale has only one shareholder;
7. rules applicable to the appointment and replacement of members of the Executive Board as well as the amendment of the Company's Articles of Association: see Chapter 8 "Articles of Association";
8. powers of the Executive Board, in particular to issue or buy back shares: see Chapter 8 "Articles of Association";
9. agreements entered into by the Company that would be altered or terminated in the event of a change of control, except where this disclosure would seriously jeopardise its interests, aside from legal disclosure obligations: not applicable;
10. agreements providing for the payment of termination benefits to members of the Board or employees, if they resign or are dismissed without just cause or if their employment is terminated due to a change of control: a very limited number of employees (fewer than ten) have employment contracts providing for the payment of termination benefits.

2.1.3 Governance structures

La Banque Postale is a French private limited company (*société anonyme*) with an Executive Board and a Supervisory Board wholly-owned by La Poste. The Company began operations on 1 January 2006, after receiving a banking licence from France's banking and insurance supervisor (ACPR) on 2 December 2005.

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

La Banque Postale's business is governed by the French Commercial Code, the French Monetary and Financial Code, the decree of 3 November 2014 on internal control of companies in the banking, payment services and investment services sectors licensed by the ACPR, the rules applicable to credit institutions issued by the French Advisory Committee on financial legislation and regulations (CCLRF), and government order no. 2014-948 of 20 August 2014 relating to the governance and corporate actions of State-owned companies.

2.1.3.1 Supervisory Board

2.1.3.1.1 Practices of the Supervisory Board and its committees

Role of the Supervisory Board

The Supervisory Board exercises the powers vested in it by the French Commercial Code, the French Monetary and Financial Code, the decree of 3 November 2014 on internal control of companies in the banking, payment services and investment services sectors licensed by the ACPR, and the Company's Articles of Association.

The topics discussed by the Supervisory Board primarily concern the Company's strategic, economic, financial and technological direction. It promotes long-term value creation, taking into account the business's social and environmental impact.

It reviews the corporate governance structure and assesses its effectiveness. It approves and regularly reviews risk acceptance, management, monitoring and mitigation strategies and policies. It determines the guidelines and monitors the implementation of supervision systems and reviews internal control activities and results. It ensures that a system to prevent and detect corruption and influence peddling is implemented.

It oversees the Executive Board's management of the Company and grants prior approval for transactions that the Executive Board cannot carry out without its permission, in accordance with Article 14 of the Articles of Association (see Chapter 8).

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

Committees of the Supervisory Board

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

The committees' remits, the criteria for selecting their members and their rules of operation are contained in the internal rules approved by the Supervisory Board. The rules are updated on a regular basis to reflect any changes in legislation or regulations and the latest corporate governance guidelines and best practices.

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

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

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

The Executive Board makes available to the members of these committees, on a timely basis, all the information and documents needed for the committees to conduct their work and formulate their recommendations, suggestions or opinions.

Members are appointed to a committee for a period corresponding to their term of office as Supervisory Board member.

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

The Government Commissioner attends the meetings of the committees.

Preparation and organisation of the work of the Supervisory Board

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

Board members are invited to attend at least ten days before the meeting. At least six days before a Board meeting, the agenda, the draft minutes of the previous scheduled meeting, and any other documents needed to support the agenda, are sent to the Board members. A secure platform dedicated to the Board and its committees was set up in early 2019 to facilitate the members' work and make it easier to access online documents.

Apart from seminars, Supervisory Board meetings last four and a half hours on average.

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

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

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

Internal rules and Charter

The Supervisory Board has adopted internal rules, which govern and determine the preparation and organisation of its work. These internal rules are updated on a regular basis, in order to reflect any changes in legislation or regulations and the latest corporate governance guidelines and best practices. The Board has also adopted the "Supervisory Board Members' Charter", which outlines the rights and obligations of Board members. The internal rules and the Supervisory Board Members' Charter are presented in Chapter 9 of this document.

The Supervisory Board has also adopted internal rules governing the remits and procedures of its committees.

Conflicts of interest

When new members are due to be elected or appointed, the Board carefully examines whether candidates under consideration have any potential conflicts of interest.

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

The rules for managing conflicts of interest set out in the Supervisory Board Members' Charter specify that:

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

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

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

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

In addition, La Banque Postale Group has drawn up a master procedure for the prevention and management of conflicts of interest, in order to identify conflicts of interest and establish a system to prevent – and if necessary, manage – their occurrence.

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

Arrangement or agreement entered into with clients, suppliers or any other third parties resulting in the selection of a member of the Supervisory Board

In accordance with the shareholders' agreement between Caisse des Dépôts et Consignations and the French State concerning La Poste SA, the Supervisory Board of La Banque Postale includes one member of La Poste's Board of Directors elected by the General Meeting on the recommendation of Caisse des Dépôts et Consignations.

Assessment of the work of the Supervisory Board and the committees

Every year, the Supervisory Board devotes part of one of its meetings to analysing its procedures, and also carries out formal assessments on a regular basis. In addition, following a review of their activities, the members of the committees discuss ways to improve their procedures without members of the Company's management being present.

At its meetings on 26 February and 29 April 2020, the Board reviewed the measures taken following the formal assessment carried out in early 2019 in respect of 2018. It noted that most of the improvements requested by Board members had been made by the Executive Board (reduction in the time taken to make documents available to Supervisory Board members, inclusion of executive summaries at the beginning of the documents, organisation of Supervisory Board seminars on specific topics, training in insurance, regulatory deadlines to be taken into account when scheduling meetings, etc.).

The Supervisory Board's performance in 2020 was discussed by the Board at its meeting on 16 December. The members noted that attendance rates had increased and the committees had held more meetings during the year. They expressed satisfaction with the way in which the Board and its committees worked together, the contribution of the seminars and the Board's overall efficiency. In light of the Group's transformation and the increasingly technical nature of the matters discussed by the Board, there were calls for members to be given more training and for time management issues to be considered. In addition, a list was drawn up of the topics to be covered in more detail during the 2021 strategy seminars.

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

The Company is administered by a Supervisory Board made up of 3 to 18 members, including at least one-third of members representing employees elected in accordance with the law on the democratisation of the public sector of 26 July 1983 and, where applicable, a member designated by the French State in accordance with current laws and regulations, as well as, since 4 March 2020, a member of the Board of Directors of La Poste proposed by Caisse des Dépôts et Consignations (CDC).

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

- ten members elected by the General Meeting, of which one member representing the French State and designated by decree, and the member of the Board of Directors of La Poste proposed by CDC;
- five members elected by employees to represent them on the Board.

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

Members of the Supervisory Board are elected for a five-year term. Of the eight Board members elected by the General Meeting, other than the representative of the French State and the member elected on the recommendation of CDC in accordance with the Articles of Association, five hold executive positions in Le Groupe La Poste and three are independent.

The five members proposed for election by La Poste were chosen as candidates because of their positions within the Group.

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

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

The Supervisory Board is keen to ensure a good gender balance and a good balance of skills and expertise at Board level and also at the level of its five committees.

The average age of the Board members at 31 December 2020 was 54.

Summary presentation of the Supervisory Board

As of the date of this report

	Personal information				Experience		Position on the Board			Attendance at Board meetings
Member of the Supervisory Board	**Age at 31 Dec. 2020**	**Gender**	**Nationality**	**Number of shares**	**Directorships of listed companies**	**Independent**	**First elected/ appointed (effective date)**	**Current term expires**	**Years on the Board (rounded)**	
CHAIRMAN										
Philippe Wahl, Chairman	64	M	French	1	1	No	15 Oct. 2013	26 Feb. 2023	7½ years	Member of the Remuneration Committee Member of the Appointments Committee
MEMBER OF THE SUPERVISORY BOARD										
Nicolas Routier, permanent representative of La Poste	56	M	French	N/A	0	No	16 Jun. 2020	26 Feb. 2023	6½ years[1]	
Yves Brassart, Vice-Chairman of the Board	60	M	French	N/A	1	No	24 Apr. 2014	26 Feb. 2023	7 years	Member of the Financial Statements Committee Member of the Risk Committee Chairman of the Strategy Committee
Nathalie Collin	55	F	French	N/A	0	No	30 May 2018	26 Feb. 2023	3 years	
Elodie Boulch, representing the French State	35	F	French	N/A	0	No	4 Feb. 2021	26 Feb. 2023	-	Member of the Financial Statements Committee Member of the Risk Committee Member of the Appointments Committee Member of the Remuneration Committee Member of the Strategy Committee

	Personal information				Experience		Position on the Board			Attendance at Board meetings
Member of the Supervisory Board	**Age at 31 Dec. 2020**	**Gender**	**Nationality**	**Number of shares**	**Directorships of listed companies**	**Independent**	**First elected/ appointed (effective date)**	**Current term expires**	**Years on the Board (rounded)**	
Michel Madelain	64	M	French	N/A	1	Yes	11 Apr. 2018	26 Feb. 2023	3 years	Chairman of the Financial Statements Committee Member of the Risk Committee Member of the Appointments Committee Member of the Remuneration Committee Member of the Strategy Committee
Sophie Renaudie	52	F	French	N/A	0	No	11 Apr. 2018	26 Feb. 2023	3 years	Member of the Financial Statements Committee Member of the Risk Committee Member of the Strategy Committee
Emmanuel Rondeau	58	M	French	N/A	0	Yes	27 Feb. 2018	26 Feb. 2023	3 years	Member of the Financial Statements Committee Member of the Risk Committee Member of the Appointments Committee Member of the Remuneration Committee Member of the Strategy Committee
Antoine Saintoyant	43	M	French	N/A	2	No	24 Feb. 2021	26 Feb. 2023	-	Member of the Strategy Committee Member of the Risk Committee
Nefissa Sator	44	F	French and Algerian	N/A	0	Yes	26 Feb. 2020	26 Feb. 2023	1 year	Member of the Risk Committee Member of the Appointments Committee Chair of the Remuneration Committee Member of the Strategy Committee
SUPERVISORY BOARD MEMBERS REPRESENTING EMPLOYEES										
Sandrine Fagot-Revurat	48	F	French	N/A	0	No	1 Oct. 2018	26 Feb. 2023	2½ years	Member of the Appointments Committee Member of the Remuneration Committee
Jean-Pierre Hakizimana	61	M	French	N/A	0	No	27 Feb. 2018	26 Feb. 2023	3 years	Member of the Strategy Committee
Thierry Freslon	52	M	French	N/A	0	No	1 Dec. 2015	26 Feb. 2023	6 years	Member of the Financial Statements Committee Member of the Risk Committee
Steeve Maigne	51	M	French	N/A	0	No	27 Feb. 2008	26 Feb. 2023	13 years	Member of the Financial Statements Committee Member of the Risk Committee
Thierry Viarouge	55	M	French	N/A	0	No	27 Feb. 2018	26 Feb. 2023	3 years	Member of the Strategy Committee

(1) Prior to being named permanent representative of La Poste on the Supervisory Board of La Banque Postale, Nicolas Routier was a Supervisory Board member in his own name from 1 September 2015 until 4 March 2020.

Summary presentation of the members of the Supervisory Board whose terms ended between 1 January 2020 and the date of this report.

	Personal information					Position on the Board			Attendance at Board meetings
	Age at 31 Dec. 2020	**Gender**	**Natio-nality**	**Number of shares**	**Inde-pendent**	**First elected/ appointed**	**Current term expires**	**Years on the Board at the time of departure**	
MEMBERS OF THE SUPERVISORY BOARD									
Marie-Anne Lavergne, representing the State	32	F	French	N/A	No	26 Sep. 2019	3 Feb. 2021	1 year and 3 months	Member of the Financial Statements Committee Member of the Risk Committee Member of the Appointments Committee Member of the Remuneration Committee Member of the Strategy Committee
Olivier Sichel	53	M	French	N/A	No	4 Mar. 2020	24 Feb. 2021	1 year	Member of the Appointments Committee Member of the Strategy Committee Member of the Risk Committee

Summary presentation of the membership of the committees

The table below presents the membership of all of the Board's committees as of the date of this report.

Membership of the committees of the Board	Financial Statements Committee	Risk Committee	Appointments Committee	Remuneration Committee	Strategy Committee
Yves Brassart	◊	◊			P
The State represented by Elodie Boulch	•	•	•	•	•
Sandrine Fagot-Revurat			Δ	Δ	
Thierry Freslon	Δ	Δ			
Jean-Pierre Hakizimana					Δ
Michel Madelain	P	◊	◊	◊	◊
Steeve Maigne	Δ	Δ			
Sophie Renaudie	◊	◊			◊
Emmanuel Rondeau	◊	P	P	◊	◊
Antoine Saintoyant		◊			◊
Nefissa Sator		◊	◊	P	◊
Thierry Viarouge					Δ
Philippe Wahl			◊	◊	

Key:

P Committee Chair
◊ Committee Member
Δ Member elected by the employees
• Member representing the French State

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

N.B.: directorships and positions in companies whose shares are traded on regulated markets are identified by an asterisk.*

Philippe Wahl, born in 1956

Chairman of the Supervisory Board

First elected: 15 October 2013

Current term expires: 26 February 2023

Board Committees: Member of the Appointments and Remuneration Committees

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

Education: Graduate of IEP Paris (*Sciences Po*), DEA post-graduate degree in Monetary and Financial Economics, graduate of *École Nationale d'Administration* (ENA)

EXPERIENCE

- Auditor, then counsel (*Maître des Requêtes*) at the *Conseil d'Etat* between 1984 and 1988.
- From 1986 to 1988, special advisor to the Chairman of French securities regulator (*Commission des Opérations de Bourse*).
- From 1988 to 1991, Technical Advisor responsible for monetary, financial and tax affairs at the Prime Minister's Office.
- Appointed Advisor to the Chairman of Compagnie Bancaire in 1991, then as a member of the Management Committee in 1992 and Executive Vice-President in 1994.
- Appointed Head of Paribas' Specialist Financial Services Division and a member of the Executive Committee in 1997.
- Appointed Chief Executive Officer of the Caisse Nationale des Caisses d'Épargne in 1999.
- Appointed Chief Executive Officer of the Havas Group in 2005, and Vice-Chairman of the Bolloré Group in 2006.
- Appointed Chief Executive Officer of Royal Bank of Scotland's (RBS) French branch in 2007, advisor to the RBS Global Banking and Markets Board in London in 2008, and Chief Executive Officer of RBS's branch for France, Belgium and Luxembourg in 2009.
- Executive Vice-President and member of the Executive Committee of Le Groupe La Poste, and Chairman of the Executive Board of La Banque Postale between January 2011 and October 2013.
- Vice-Chairman of the Association Française des Banques between June 2012 and December 2013 and member of the Executive Committee of Fédération Bancaire Française between July 2012 and December 2013.
- Director since 1 August 2013 and Chairman and Chief Executive Officer of La Poste since 26 September 2013.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Chairman and Chief Executive Officer of La Poste (SA).
- Director of L'Envol, La Banque Postale's campus (non-profit).
- Permanent representative of La Poste on the Board of Directors of Poste Immo (SA).
- Permanent representative of La Poste on the Board of Directors of GeoPost (SA).
- Member of the Strategy Committee of La Poste Silver (SAS).
- Director and member of the Appointments and Remuneration Committee of CNP Assurances* (SA).

Companies outside Le Groupe La Poste

- Member of the Institut Montaigne Management Committee.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Director of Sopassure (SA) until 2 January 2020.

Yves Brassart, born in 1960

Vice-Chairman of the Supervisory Board

First elected: 24 April 2014

Current term expires: 26 February 2023

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

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

Education: Graduate of IEP Paris (*Sciences Po*), ENSPTT and the EDHEC business school – DECS higher accounting diploma

EXPERIENCE

- Yves has spent his entire career with Le Groupe La Poste since 1987. From 1987 to 1990, various positions in sales and marketing within the Group's Mail Services Division. Then Sales and Marketing Director for the Parcels & Mail Division from 1991 to 1993.
- From 1994 to 1999, Chief Financial Officer for Le Groupe La Poste's West France region.
- From 1999 to 2006, Chief Financial Officer of La Poste's Financial Services Division and also Chief Financial Officer for the Consumer Network from 2001 to 2003.
- From 2006 to 2011, Chief Financial Officer of La Banque Postale.
- From September 2011 to April 2014, Head of Finance and Strategy at La Banque Postale, with additional responsibility for overseeing the Financial Operations Department from September 2012.
- From January 2013 to 7 April 2014, member of the Executive Board of La Banque Postale.
- From 7 April 2014, Executive Vice-President, Chief Financial Officer and member of the Executive Committee of Le Groupe La Poste, then, since 7 September 2015, Executive Vice-President in charge of Finance and Development.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Director, member of the Audit Committee and member of the Strategy Committee of Poste Immo (SA).
- Director, member of the Audit and Financial Statements Committee and member of the Strategy Committee of Geopost (SA).
- Member of the Strategy Committee of La Poste Telecom (SAS).
- Permanent representative of La Poste, director of Siparex Associés (SA).
- Permanent representative of La Poste, member of the Supervisory Board of Siparex Proximité Innovation (SAS).
- Member of the Strategy Committee of La Poste Silver (SAS).
- Chairman of LP5 (SAS).
- Chairman of LP7 (SAS).
- Chairman of La Poste Intrapreneuriat (SAS).
- Director and member of the Strategy Committee of CNP Assurances* since 4 March 2020.

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Permanent representative of La Poste, member of the Supervisory Board of XAnge Private Equity (SAS).
- Chairman of LP 2 (SAS).
- Chairman of the Supervisory Board of XAnge Capital (SA with an Executive Board and a Supervisory Board).
- Chairman of LP6 (SAS).
- Member of the Supervisory Committee of Véhiposte (SAS).
- Oh My Keys (SAS), Chairman.

Nathalie Collin, born in 1964

Member of the Supervisory Board

First elected: 30 May 2018

Current term expires: 26 February 2023

Board Committees: None

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

Education: Graduate of *École Supérieure des Sciences Economiques et Commerciales* (ESSEC)

EXPERIENCE

- From 1987 to 1990, consultant at Arthur Andersen.
- From 1990 to 1993, Chief Financial Officer of Cité Mondiale des Vins et Spiritueux.
- From 1993 to 1997, Chief Financial Officer, Europe, at Interleaf in London.
- From 1997 to 1999, Chief Financial and Administrative Officer at Virgin Music France, then CEO from 1999 to 2002.
- From 2002 to 2007, CEO then Chair of EMI Music France from 2007 to 2009.
- From 2009 to 2011, Chair of the Executive Board of Libération.
- From 2011 to 2014, CEO and Chair of the Executive Board of the Nouvel Observateur group.
- Appointed Executive Vice President in charge of communication for Le Groupe La Poste on 28 April 2014. Member of the Executive Committee.
- From 2015 to 2021, Executive Vice President in charge of Digital and Communication for Le Groupe La Poste.
- Since 2021, Chief Executive Officer of the new Consumer and Digital Division, Le Groupe La Poste.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Member of the Strategy Committee of Docaposte (SAS).
- Director of Geopost (SA).
- Member of the Strategy Committee of Mediapost Holding (SAS).

Companies outside Le Groupe La Poste

- Member of the *Conseil Economique, Social et Environnement* (French economic, social and environmental council).

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Director of Ma French Bank (a French public limited company - SA).
- Member of the Supervisory Board of SNCF (EPIC).
- Chair of Holding BNUM (SAS).
- Member of the Supervisory Board of Siparex Proximité Innovation (SAS) until 31 December 2020.

French State – Elodie Boulch, born in 1986

Representative of the French State, member of the Supervisory Board

First appointed: by decree of 22 January 2021 published in the Official Journal of 4 February 2021

Current term expires: 26 February 2023

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

Business address: Ministère de l'Économie et des Finances, Agence des Participations de l'Etat –139, rue de Bercy Télédoc 228 – 75572 Paris Cedex 12

Education: Graduate of IEP Paris (*Sciences Po*)

EXPERIENCE

- Banque de France:
  - from 2011 to 2014, Market Economist in the Monetary Policy Implementation Department;
  - from 2014 to 2017, Senior Debt Portfolio Manager, Financial Markets Department.
- French Ministry of the Economy and Finance:
  - from 2017 to 2019, Investment Manager at the State Investments Agency (APE);
  - since July 2019, Deputy Director of Services and Finance Sector Investments at the State Investments Agency (APE).

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- Permanent representative of the French State, member of the Board of Directors, member of the Audit, Strategy, Appointments and Remuneration Committees of France Médias Monde (SA).
- Permanent representative of the French State, member of the Board of Directors, member of the Strategy, Audit and Remuneration Committees of Radio France (SA).
- Permanent representative of the French State, member of the Board of Directors, member of the Strategy, Audit, CSR, Appointments and Remuneration Committees of Imprimerie Nationale.
- Permanent representative of the French State, member of the Board of Directors, member of the Audit, Appointments and Remuneration Committees of Semmaris (SA).

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Permanent representative of the French State, member of the Board of Directors of Sovafim (SA).
- Permanent representative of the French State, member of the Supervisory Board of Grand Port Maritime de La Rochelle (SA with an Executive Board).
- Permanent representative of the French State, member of the Board of Directors of SFIL (SA) until October 2020.

Sandrine Fagot-Revurat, born in 1972

Employee representative member of the Supervisory Board

First elected: 1 October 2018

Current term expires: 26 February 2023

Board Committees: Member of the Appointments and Remuneration Committees

Business address: La Banque Postale BP 1839 – 40 place Jean Moulin – 03000 Moulins

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

EXPERIENCE

- From 2001 to 2003, Human Resources Assistant (Intermarché Logistique 03) – Groupe ITM.
- In 2003, Personal Assistant, La Poste.
- From 2004 to 2006, Budget Controller at La Poste.
- Since 2006, Bank Controller in La Banque Postale's Auvergne region.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- Assessor, Moulins Social Security Tribunal since 1 February 2021.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- None.

Thierry Freslon, born in 1968

Employee representative member of the Supervisory Board

First elected: 1 December 2015

Current term expires: 26 February 2023

Board Committees: Member of the Financial Statements and Risk Committees

Business address: AVEA LA POSTE – 8 rue Brillat Savarin – 75013 Paris

Education: Graduate of IEP Paris (*Sciences Po*), CFPB-HEC – CESB and CESA

EXPERIENCE

- Thierry began his career in real estate firms and companies, notably as an accountant and treasurer, from 1990 to 1994.
- After joining Le Groupe La Poste in 1995, he held various positions, including Assistant Chief Accountant in the Group Treasury Department from 1996 to 1999.
- From 2000 to 2005, Manager of bank-related accounting, then central accounting at Efiposte.
- From 2006 to 2011, Special Advisor to the Accounting Department of La Banque Postale and, in parallel, Secretary of the Works Council.
- From 2012 to 31 December 2015, Manager of Internal Control Procedures and General Resources at Transactis.
- Since January 2016, Chairman of AVEA LA POSTE, a Le Groupe La Poste non-profit.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Chairman of AVEA LA POSTE (non-profit).

Companies outside Le Groupe La Poste

- Director of UVVA (non-profit).

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- None.

Jean-Pierre Hakizimana, born in 1959

Employee representative member of the Supervisory Board

First elected: 27 February 2018

Current term expires: 26 February 2023

Board Committees: Member of the Strategy Committee

Business address: La Banque Postale – 115 rue de Sèvres – 75275 Paris Cedex 06

Education: Degree from ENSPT – MBA in Network Company Management – DESS post-graduate degree in Marketing and Management from ISGE-Intec in Lyon – DA post-graduate degree in Telecoms Engineering from CESPTOM in Toulouse

EXPERIENCE

- From 1996 to 1998, Budget Controller, Head of Marketing in charge of development at France Telecom's Regional Department in Evry.
- Joined La Poste in 1999 in the Financial Services Operations Department as project manager responsible for improving IT Systems reliability, then as IT Projects and Pilots Manager until 2005.
- From 2006 to 2012, Senior Project Manager in the Finance and Strategy Department of La Banque Postale.
- From 2012 to 2015, Head of the microcredit market and social partnership activity of the Retail Banking Division of La Banque Postale.
- From 2016 to 2019, Head of Change Management for the Concerto programme's account-keeping projects, within the Operations Department of La Banque Postale.
- Since March 2019, Head of online research project in-sourcing in the Marketing Department of the Retail Banking Division of La Banque Postale.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- None.

La Poste – Nicolas Routier, born in 1963

Permanent representative of La Poste, member of the Supervisory Board since 16 June 2020

First elected: 30 July 2015 (effective 1 September 2015).

Current term expires: 26 February 2023

Board Committees: None

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

Education: Graduate of IEP Paris (*Sciences Po*) and ENSPTT – Degree in economics

EXPERIENCE

- Nicolas has spent his entire career with Le Groupe La Poste since 1988. From 1988 to 1991, Strategic Planning Manager and Economic and Financial Strategy Manager, then from 1991 to 1994, Head of the Budget Control unit in the Group Finance Department.
- In 1994, Head of La Poste for the Oise *département*.
- In 1997, member of La Poste's Operational Committee. Creation of the Purchasing Department, which he headed until 2001.
- In parallel, from 1998 to 2001, Head of Budget Control.
- From 2001, Head of Strategy, member of the Executive Committee and from mid-2002, Executive Vice President, Group Strategic Development.
- From 2004 to 2009, Chairman and CEO of Mediapost and Advisor to the Group Chairman. Elected President of the Syndicat Professionnel de la Distribution Direct trade association.
- From March 2009 to June 2014, Chief Executive Officer of the Mail Services Division. Elected President of the Syndicat Professionnel des Opérateurs Postaux trade association.
- From July 2014 to September 2015, Executive Vice President of Le Groupe Poste and Chief Executive Officer of the Mail and Parcel Services Division.
- Since 7 September 2015, Executive Vice President of Le Groupe La Poste in charge of institutional strategy and regulation.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Director of Geopost (SA).
- Director of Poste Immo (SA).
- Member of the Supervisory Committee of Véhiposte (SAS).

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Member of the Supervisory Board of La Banque Postale (SA) until 4 March 2020.

Michel Madelain, born in 1956

Independent member of the Supervisory Board

First elected: 11 April 2018

Current term expires: 26 February 2023

Board Committees: Chairman of the Financial Statements Committee, member of the Risk, Appointments, Remuneration and Strategy Committees.

Education: Master of Management (Northwestern University Graduate School of Management). *École Supérieure de Commerce de Rouen* business school. Qualified chartered accountant.

EXPERIENCE

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

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- Trustee – IFRS Foundation.
- Director, member of the Audit, Risk, Appointments & Remuneration Committees of China Construction Bank Corporation* since 9 January 2020.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Director and Chairman of the Board of Directors – Moody's Investors Service Ltd.
- Director and Chairman of the Board of Directors – Moody's Investors Service EMEA Ltd.
- Member of the Supervisory Board – Moody's France (SAS).
- Member of the Advisory Council – Moody's Deutschland GmbH.
- Director – Moody's Investors Service Inc.
- Director – The Moody's Foundation.

Steeve Maigne, born in 1969

Employee representative member of the Supervisory Board

First elected: 27 February 2008

Current term expires: 26 February 2023

Board Committees: Member of the Financial Statements and Risk Committees

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

Education: Sales and finance

EXPERIENCE

- Steeve has spent all of his career with Le Groupe La Poste, holding various positions including Financial Advisor, and then Customer Service Manager from 1998 to 2004.
- Regional secretary for the Paris/Île-de-France CFE-CGC trade union, responsible for the La Poste Consumer Network, member of Le Groupe La Poste Employee-Relations Committees until 2007.
- Employee representative on the Supervisory Board of the La Poste Employee Savings Fund until 2007.
- From 2008 to 2013, Head of the Internal Synergies Project in La Banque Postale's Social and Local Economy Department.
- Since 2013, Quality Manager for the Compliance Department of La Banque Postale.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- Member, then President, of the Instance Paritaire Régional de Pôle Emploi Paris Ile-de-France since 1 January 2020.
- Alternate member of the Instance Paritaire Régional de Pôle Emploi Paris Ile-de-France.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Director of Logipostel (a rent-controlled housing development company).
- Alternate Director and member of the financial and markets commissions of Urssaf Ile-de-France.
- President of the Instance Paritaire Territoriale de Pôle Emploi Paris Ile-de-France between 1 January and 31 December 2018.
- Vice President of the Instance Paritaire Territoriale de Pôle Emploi Paris Ile-de-France between 1 January and 31 December 2019.

Sophie Renaudie, born in 1968

Member of the Supervisory Board

First elected: 11 April 2018

Current term expires: 26 February 2023

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

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

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

EXPERIENCE

- From 1995 to 2000, in charge of project development and savings standards in La Poste's Finance Department.
- From 2000 to 2005, internal auditor, then accounting manager, at Efiposte.
- Within La Banque Postale's Finance Department:
  - from 2006 to 2009, Deputy Accounting Director;
  - from 2009 to March 2016: ALM and Group Financial Communications Director.
- Since March 2016, Budget Control Director, Le Groupe La Poste.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Member of the Supervisory Committee of Véhiposte (SAS).

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Director of Tocqueville Finance Holding (SAS) and Tocqueville Finances (SA) and Chair of the Audit and Compliance Committee of Tocqueville Finance (SA).
- Member of the Management Committee of LBP Immobilier Conseil (SAS).
- Member of the Supervisory Board and of the Audit and Risk Committee of BPE (SA with an Executive Board and a Supervisory Board).
- Chair of Galliéni SF2-6 (SASU).
- Director and member of the Audit and Risk Committee of LBP Home Loan SFH (SA).
- Permanent representative of SF2, director of LBP Conseil en Assurances (SA).

Emmanuel Rondeau, born in 1962

Independent member of the Supervisory Board

First elected: 27 February 2018

Current term expires: 26 February 2023

Board Committees: Chairman of the Risk Committee and member of the Financial Statements, Appointments, Remuneration and Strategy Committees

Business address: —

Education: Company director certificate from Sciences PO-IFA. Graduate of *École Supérieure de Commerce de Reims* (Neoma) business school

EXPERIENCE

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

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- President of Arbrys Advisory (SASU).

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Risk & Conduct Assurance Director, Royal Bank of Scotland (plc).

Antoine Saintoyant, born in 1977

Member of the Supervisory Board

First elected: 24 February 2021

Current term expires: 26 February 2023

Board Committees: Member of the Strategy and Risk Committees

Business address: Caisse des Dépôts et Consignations – 56 rue de Lille – 75356 Paris 07 SP

Education: *École Nationale d'Administration*, *Institut d'Etudes Politiques de Paris* (Public Service section), Bonn University (Germany) – Certificate in international studies (law and economics)

EXPERIENCE

- From 2003 to 2007: Deputy in the Multilateral Affairs and Development Department of the French Treasury (Ministry of the Economy and Finance).
- From 2007 to 2009: Financial Services Advisor to France's Permanent Representation to the European Union (Brussels).
- From 2009 to 2012: Head of the Banking Affairs Department in the French Treasury (Ministry of the Economy and Finance).
- From 2012 to 2015: Director of Services and Finance Sector Investments at the State Investment Agency (APE, Ministry of the Economy and Finance).
- From 2016 to 2017: Deputy Director, General Interest Banking and Finance in the French Treasury (Ministry of the Economy and Finance).
- From 2017 to 2020: Economic, Financial and Industry Adviser (Sector Head) to the Prime Minister.
- Since September 2020: Director, Strategic Investments, and member of the Executive Committee of Caisse des Dépôts.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Director of La Poste (SA) since 27 January 2021.

Companies outside Le Groupe La Poste

- Member of the Supervisory Board and member of the Appointments & Remuneration Committee of CDC Habitat (SA) since 16 December 2020.
- Director and Member of the Appointments & Remuneration Committee of Compagnie des Alpes* (SA) since 19 November 2020, then Vice-Chairman of the Board of Directors since 28 January 2021.
- Director, member of the Appointments & Remuneration Committee of Bpifrance (SA) since 18 December 2020.
- Director of Bpi Participations (SA) since 24 November 2020.
- Director of Bpi Investissements (SAS) since 23 November 2020.
- Director, member of the Strategy & Investments Committee of EGIS (SA) since 15 October 2020.
- Director of ICADE* (SA) since 6 October 2020.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- None.

Nefissa Sator, born in 1976

Independent member of the Supervisory Board

First elected: 26 February 2020

Current term expires: 26 February 2023

Board Committees: Chair of the Remuneration Committee, member of the Strategy, Appointments and Risk Committees

Business address: SCOR [28 Liberty Street, Suite 5400] – New York, NY 10005 (USA)

Education: Member of the American Academy of Actuaries (since 2015), ERM expert/Chartered Enterprise Risk Analyst (since 2012), Qualified actuary and member of the Institut des Actuaires (since 2000), Certificate in statistics (*Institut de Statistiques de l'Université de Paris*), Master's in pure and fundamental mathematics (Université Pierre et Marie Curie – Paris 6)

EXPERIENCE

- From March 2000 to October 2001: Actuarial consultant at Selectis Consulting.
- From November 2001 to January 2007: Head of the personal risk insurance and Reinsurance Divisions at Actuaris.
- From January 2007 to January 2010: Chief Actuary for the Individual Market at AG2R La Mondiale.
- From February 2010 to August 2013: Chief Actuary and member of the Management Committee of La Banque Postale Prévoyance
- September 2013 to February 2016: Senior Vice President, USA at Forsides.
- From March 2016 to November 2016: Vice President, Corporate Actuarial Assumptions Oversight at Prudential Financial.
- From December 2016 to March 2021: Head of Internal Audit for the Americas, at SCOR Group.
- Since March 2021, Head of Life Reinsurance Pricing at SCOR Group.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- None.

Thierry Viarouge, born in 1965

Employee representative member of the Supervisory Board

First elected: 27 February 2018

Current term expires: 26 February 2023

Board Committees: Member of the Strategy Committee

Business address: La Banque Postale – 115 rue de Sèvres – 75275 Paris Cedex 06

Education: Banking Management diploma from HEC-CESA; DESS post-graduate degree in Banking and Finance, University Paris V; DES graduate degree from Institut Technique de Banque

EXPERIENCE

- Various positions with LCL between 1985 and 1997:
  - back office manager from 1985 to 1987 and Credit Analyst from 1988 to 1991;
  - from 1992 to 1994, Business manager in the Corporate business centres;
  - from 1995 to 1997, Business Development Manager, Commercial Banking, in the Paris Operations Division.
- From 1998 to 1999, Financial Centre Auditor, Financial Customers Division of La Poste.
- From 2000 to 2001, Internal Controller, Oséo (Procrédit-Probail).
- In 2001, Senior Auditor in the asset management and savings department of the AMF (French securities regulator).
- From 2001 to 2006, La Poste: In charge of specialised areas in the Operations Department of the Financial Services Division from 2001 to 2004 and project manager in the Financial Customers Department from 2005 to 2006.
- From 2006 to 2010, Interbank Correspondent in the Interbank Relations Department of La Banque Postale.
- From 2010 to 2014, head of national internal audit oversight in the Internal Audit Department of La Banque Postale.
- Since 2015, Interbank Correspondent in the partnership and external relationships regulation unit, Payments Department of La Banque Postale.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- Member of the Supervisory Board of Atout Pierre Diversification (SCPI).
- Member of the Supervisory Board of Actipierre Europe (SCPI).
- Member of the Supervisory Board of Ciloger Habitat (SCPI).

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- None.

Members of the Supervisory Board in 2020, who no longer served on the Board as of the date of this report

Philippe Bajou, born in 1958

Permanent representative of La Poste, member of the Supervisory Board

First elected: 5 April 2016

Term ended: 16 June 2020

Board Committees: None

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

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

EXPERIENCE

- Philippe has spent his entire career with Le Groupe La Poste since 1982.
- Policy officer at the French Post and Telecommunications Ministry, reporting to the Director of Joint Projects; in 1989, then various positions within the Finance Department of La Poste.
- Head of Financial Affairs and Investments at La Poste in 1995, responsible for the CCP (postal chequeing accounts) fund management project from 1998.
- Chief Executive Officer of Efiposte in 2000.
- Member of the Executive Board of La Banque Postale from December 2005 to January 2013.
- Executive Vice President of Le Groupe La Poste and Chief Executive Officer of the La Poste Network from December 2012 to June 2015.
- Became Executive Vice President in charge of transforming Le Groupe La Poste on 19 February 2015, and has been Secretary General and Executive Vice President of Le Groupe La Poste since 2 February 2016.
- Acting Chief Executive Officer of the La Poste Network since 16 June 2020 and member of the Executive Board of La Banque Postale since 3 August 2020.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Chairman of the Board of Directors of Poste Immo (SA).
- Director of L'Envol, La Banque Postale's campus (non-profit).
- Director of Fondation La Poste.
- Member of the Strategy and Finance Committee of La Poste Telecom (SAS).
- Director and member of the Appointments and Remuneration Committee of Geopost (SA).
- Chairman of the Supervisory Committee of Véhiposte (SAS).

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Member and Chairman of the Strategy & Finance Committee of Altergo (SAS) until 16 July 2020.

Sophie Lombard, born in 1969

Independent member of the Supervisory Board until 26 February 2020

First elected: 15 April 2016

Term ended: 26 February 2020

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

Chair of the Appointments and Remuneration Committees until 26 February 2020

Business address: –

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

EXPERIENCE

- From 1992 to 1995, sales and marketing of structured fixed income products at Société Générale.
- From 1997 to 2001, LBO financing at Deutsche Bank in London and Paris.
- From 2001 to 2012, PAI Partners: origination, deal-making and monitoring of investments in the retail and fast-moving consumer goods sector.
- From 2013 to 2017, Founder and Managing Director of Eloa Conseil, an investment fund strategy and investment consultancy.
- Since 2017, partner and Chief Operating Officer of Parvilla, a private equity fund manager.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Member of the Supervisory Board, Chair of the Audit & Risk Committee, Chair of the Appointments & Remuneration Committee of La Banque Postale Asset Management (SA with an Executive Board and a Supervisory Board) since 2 November 2020.

Companies outside Le Groupe La Poste

- Director, member of the Audit Committee and of the Appointments and Remuneration Committee of Kaufman et Broad* (SA).
- Member of the Investment Committee of Citizen Capital (fund).
- Member of PAI Human Capital (endowment fund).
- CEO of Parvilla (SAS).

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Member of the Strategy Committee of Centre TedyBear (SAS).
- CEO and director of Financière Gaillon 8 (SA).
- Managing Director of Eloa Conseil (SARL).

Marie-Anne Lavergne, born in 1988

Permanent representative of the French State, member of the Supervisory Board from 2 October 2019 to 3 February 2021

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

Term ended: 3 February 2021

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

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

Education: Graduate of *École Normale Supérieure de Lyon* – University College of London – MBA from *Collège des Ingénieurs* – Member of the Bridges, Water and Forests engineering corps – PhD in materials chemistry

EXPERIENCE

- From 2015 to 2017, Deputy head of the French Treasury's Industry, Innovation and the Knowledge Economy unit.
- From 2017 to 2019, Deputy head of the French Treasury's Savings and Financial Markets unit.
- From September 2019 to December 2020, in charge of investments at the State Investment Agency (Agence des Participations de l'État) with particular responsibility for the State's investments in La Poste and La Banque Postale.
- Since December 2020, Head of the Inward Foreign Investment Office of the French Treasury.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None.

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Representative of the French State, member of the Board of Directors of Bpifrance (EPIC).
- Permanent representative of the French State, member of the Board of Directors of Société de Prise de Participations de l'Etat (SPPE) (SA).

Olivier Sichel, born in 1967

Member of the Supervisory Board

First elected: 4 March 2020

Current term expires: 24 February 2021

Board Committees: Member of the Appointments, Strategy and Risk Committees

Business address: Caisse des Dépôts et Consignations – 56 rue de Lille – 75356 Paris 07 SP

Education: Graduate of IEP Paris (*Sciences Po*), ESSEC business school, *École Nationale d'Administration* (ENA)

EXPERIENCE

- From 1994 to 1998, Inspecteur des Finances at the Ministry of Economy and Finance.
- From 1998 to 2000, France Telecom agency director.
- From 2000 to 2006, CEO of Alapage.com and, from 2002, CEO of Wanadoo.
- From 2006 to 2012, Partner in the venture capital company Sofinnova.
- From 2012 to 2016, CEO of LeGuide.com.
- In parallel, creation and management of the Digital New Deal Foundation, a digital think tank.
- Since 15 December 2017, Deputy CEO of Caisse des Dépôts et Consignations in charge of steering the strategic review of subsidiaries and investments, and since May 2018, Director of Banque des Territoires (regional development bank).

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Deputy CEO of Caisse des Dépôts et Consignations (EP).
- Director, member of the Audit Committee and of the Strategy and Investments Committee of La Poste (SA).

Companies outside Le Groupe La Poste

- Director of Transdev Group (SA).
- Representative of Caisse des Dépôts, Director of Agence Nationale de la Cohésion des Territoires (EP).
- Chairman of the Board of Directors of Fondation Digital New Deal (non-profit).
- Member of the Board of Directors of Assia Inc (USA).

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- CEO of LeGuide.com.
- Director of Alpha Mos SA.
- Director, member of the Strategy Committee of CNP Assurances* (SA).
- Director of Solutions 30 (Luxembourg).
- Director of Black Crows (SA – Cab.5).
- Member of the Advisory Board of Famoco (SA).
- Member of the National Strategy Committee of Bpifrance (SA).
- Independent representative of the French State on the Supervisory Board of Arte (SA).
- Chairman of OS Conseil (SASU).
- Chairman of the Board of Directors of Amis de la Bibliothèque Nationale de France (non-profit).
- Director, member of the Audit and Risk Committees, of Bpifrance (SA) until 23 September 2020.

Government commissioner

Yves Ulmann, born in 1959

Government Commissioner

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

Business address: Ministère de l'Économie et des Finances, 139 rue de Bercy – 75572 Paris Cedex 12

Education: Graduate of IEP Paris (*Sciences Po*) – *École Nationale d'Administration* – Master's degree in public law

EXPERIENCE

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

Changes in the Supervisory Board and committees during 2020

	Departure	Appointment/Election (Effective date)	Reappointment/ Re-election
Supervisory Board	Sophie Lombard 26 Feb. 2020 Nicolas Routier 4 Mar. 2020 Philippe Bajou Permanent representative of La Poste 16 Jun. 2020	Nefissa Sator 26 Feb. 2020 Olivier Sichel 4 Mar. 2020 Nicolas Routier Permanent representative of La Poste 16 Jun. 2020	None
Committees	Sophie Lombard 26 Feb. 2020 Member and Chair of the Appointments and Remuneration Committees Member of the Strategy, Financial Statements and Risk Committees	Nefissa Sator 26 Feb. 2020 Member and Chair of the Remuneration Committee Member of the Strategy, Appointments and Risk Committees Emmanuel Rondeau 26 Feb. 2020 Chairman of the Appointments Committee Olivier Sichel Member of the Strategy and Appointments Committees on 4 Mar. 2020 Member of the Risk Committee on 16 Dec. 2020	None

Changes in the Supervisory Board and its committees between 1 January 2021 and the date of this document

	Departure	Appointment/Election (Effective date)	Reappointment/ Re-election
Supervisory Board	Marie-Anne Lavergne Representative of the French State 3 Feb. 2021 Olivier Sichel 24 Feb. 2021	Elodie Boulch Representative of the French State 4 Feb. 2021 Antoine Saintoyant 24 Feb. 2021	None
Committees	Marie-Anne Lavergne Representative of the French State 3 Feb. 2021 Member of the Strategy, Risk, Financial Statements, Appointments and Remuneration Committees Olivier Sichel 24 Feb. 2021 Member of the Strategy, Risk and Appointments Committees	Elodie Boulch Representative of the French State 4 Feb. 2021 Member of the Strategy, Risk, Financial Statements, Appointments and Remuneration Committees Antoine Saintoyant 24 Feb. 2021 Member of the Strategy and Risk Committees	None

Supervisory Board members' attendance rates in 2020

Board members	Supervisory Board attendance	Financial Statements Committee attendance	Risk Committee attendance	Appointments Committee attendance	Remuneration Committee attendance	Strategy Committee attendance
Philippe Wahl, Chairman of the Supervisory Board	100%	N/A	N/A	100%(*)	100%	N/A
Yves Brassart, Vice Chairman of the Board	100%	100%	100%	N/A	N/A	100%
Philippe Bajou	*100%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Nathalie Collin	100%	N/A	N/A	N/A	N/A	N/A
Sandrine Fagot-Revurat	100%	N/A	N/A	88%	80%	N/A
Thierry Freslon	100%	86%	100%	N/A	N/A	N/A
Jean-Pierre Hakizimana	100%	N/A	N/A	N/A	N/A	100%
Marie-Anne Lavergne	100%	100%	100%	100%	100%	100%
Sophie Lombard	*100%*	*0%*	*100%*	*100%*	*100%*	*0%*
Michel Madelain	100%	100%	88%	100%	100%	100%
Steeve Maigne	89%	86%	100%	N/A	N/A	N/A
Sophie Renaudie	100%	100%	100%	N/A	N/A	100%
Emmanuel Rondeau	100%	100%	100%	100%	100%	100%
Nicolas Routier	100%	N/A	N/A	N/A	N/A	N/A
Nefissa Sator	100%	N/A	100%	100%	100%	100%
Olivier Sichel	100%	N/A	N/A	86%	N/A	67%
Thierry Viarouge	100%	N/A	N/A	N/A	N/A	100%

The members shown in italics stood down from the Supervisory Board during 2020.
N/A: not a member of the committee in question.

(*) 75% taking into account meetings that he did not attend in application of the conflict of interests policy.

Information given to new Supervisory Board members

When new members join the Supervisory Board, they are given access to a secure dedicated platform where they can obtain the meeting files for meetings of the Board and its committees and consult a document library that includes La Banque Postale's Articles of Association, the internal rules of the Supervisory Board and its committees, the Supervisory Board Members' Charter, the Universal Registration Document, research documents, glossaries, etc.

Competence and training of the Supervisory Board and committee members

The Board ensures that its members collectively have the knowledge, skills and experience required concerning banking and financial markets, legal and regulatory compliance issues applicable to the Company, its system of governance including internal control procedures, strategic plans and their implementation, risk management, accounting and financial reporting and, in addition, insurance markets and the legal and regulatory requirements that apply to companies in this sector.

The Board also ensures that the members appointed to its committees have the appropriate skills and experience to fulfil the committees' remits.

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

In October 2020, the insurance training initiative launched in 2019 ahead of CNP Assurances' integration in La Banque Postale Group was supplemented by the organisation of a specific insurance seminar.

Since the training organised in 2018 at the beginning of the current Supervisory Board members' term, various complementary training initiatives have been deployed. These have included specific training provided by La Banque Postale for a new member, a training plan organised for the representative of the French State and certain members representing employees, external Solvency II and Governance training for the Chairman of the Financial Statements Committee and the Chairman of the Risk Committee, online training (Bank resolution online academy, Board Boards and supervisory expectations, IFA webinars, etc.).

Availability

Special attention is paid to ensuring that Supervisory Board and Executive Board members are available to attend meetings of the two Boards and verifying compliance with the rules of the French Commercial Code, the French Monetary and Financial Code and the Afep/Medef Corporate Governance Code concerning multiple directorships. If a member of the Supervisory Board or the Executive Board is consulted concerning a new directorship or other position, he or she is invited to inform the Chairman of the Company's Supervisory Board before accepting the appointment in order to verify that it is compatible with legal and regulatory provisions. A document outlining their obligations concerning multiple directorships is given to all new members of the Supervisory Board.

Assessment of Supervisory Board members' independence

Since La Banque Postale was founded, its Supervisory Board has referred to the general definition in the Afep/Medef Code to assess the independence of its members. A member of the Supervisory Board is therefore considered to be independent if he or she has no relationship of any kind with the Company, its Group or its management that may interfere with his or her freedom of judgement.

The independence of each Supervisory Board member is reviewed each year by the Appointments Committee, which presents its findings to the Supervisory Board. Based on the findings of the Appointments Committee, which reviewed the members' independence in light of the new recommendations of the Afep/Medef Code, the Supervisory Board confirmed that three members of the Board – Nefissa Sator, Michel Madelain and Emmanuel Rondeau – qualify as independent members. The Committee also considered whether members representing La Poste's shareholders could be qualified as independent but decided that this would not be appropriate.

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

	Criterion 1	Criterion 2	Criterion 3	Criterion 4	Criterion 5	Criterion 6	Criterion 7	Criterion 8
Philippe Wahl, Chairman of the Supervisory Board	x	x	ok	ok	ok	ok	x	yes
Yves Brassart, Vice-Chairman of the Supervisory Board	x	ok	ok	ok	ok	ok	ok	yes
Nicolas Routier, permanent representative of La Poste	x	ok	ok	ok	ok	ok	ok	yes
Nathalie Collin	x	ok	ok	ok	ok	ok	ok	yes
The French State, represented by Elodie Boulch	ok	ok	ok	ok	ok	ok	ok	yes
Michel Madelain	ok	ok	ok	ok	ok	ok	ok	no
Sophie Renaudie	x	ok	ok	ok	ok	ok	ok	yes
Emmanuel Rondeau	ok	ok	ok	ok	ok	ok	ok	no
Antoine Saintoyant	ok	ok	ok	ok	ok	ok	ok	yes
Nefissa Sator	ok	ok	ok	ok	ok	ok	ok	no

"ok" indicates that the Afep/Medef independence criterion is met.
"x" indicates that the Afep/Medef independence criterion is not met.
Criterion 1: Has not been an employee or executive officer of the Company, a consolidated company, the parent company or a company consolidated by the parent over the past five years.
Criterion 2: Does not hold cross directorships.
Criterion 3: Does not have significant business relationships.
Criterion 4: Does not have close family ties with a company officer.
Criterion 5: Has not been statutory auditor of the Company during the past five years.
Criterion 6: Has not been a director of the Company for more than 12 years.
Criterion 7: Has not been a non-executive corporate officer of the Company and received remuneration from the Group.
Criterion 8: Represents a major shareholder of the Company or its parent company.

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

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

In the last five years, no member of the Executive Board has been the subject of any official public incrimination or sanctions by statutory or regulatory authorities, and no member has been disqualified by a court of law from acting as member of an administrative, management or supervisory body.

No member of the Executive Board receives any benefits under a service agreement with the Company or any of its subsidiaries.

2.1.3.1.3 Work of the Supervisory Board

Activities of the Supervisory Board in 2020

The Supervisory Board met nine times during the 2020 financial year with an average attendance rate of 99%.

In addition to the Board members, the Government Commissioner, the Economic and Social Committee (ESC) Secretary, members of the Executive Board, the Chief Financial Officer and certain other Company executives also participated in certain meetings, depending on the agenda items. The statutory auditors attended the meetings at which the annual and interim financial statements were presented.

During 2020, the work carried out by the Board focused primarily on the following issues:

- Strategy:
  - implementation of the public bancassurance project and status review at each meeting;
  - presentation of the draft business plan;
  - rights issues by subsidiaries;
  - reorganisation of asset management activities;
  - opinion of the ESC on La Banque Postale's strategic direction and the consequences on the business and jobs.
- The COVID-19 crisis:
  - review of COVID-19 measures;
  - temporary adjustment of the Group's risk appetite in response to the COVID-19 crisis;
  - review of the situation concerning COVID-19.
- Procedures and practices of the Supervisory Board and governance:
  - appointment of the Chairman of the Executive Board and membership of the Executive Board;
  - deep dive review of the Executive Board's governance;
  - remuneration of Executive Board members;
  - La Banque Postale remuneration policy update;
  - succession plan update;
  - report prepared pursuant to Article 266 of the decree of 3 November 2014;
  - Supervisory Board practices.
- Business review:
  - quarterly business reports;
  - presentation of the 2019 parent company and consolidated financial statements, together with the proposed appropriation of net income and the Executive Board's management report;
  - presentation of the interim financial statements and the interim business report;
  - presentation of the budget and the annual debt issuance programmes.
- Control of the business:
  - report prepared pursuant to Articles 258 to 264 of the decree of 3 November 2014;
  - risk map;
  - risk appetite framework;

- review of the business and internal control results;
- 2020 internal audit plan update and work of the Internal Audit Department;
- report of the Supervisory Board on corporate governance;
- ECB letters;
- annual review of regulated related-party agreements;
- update on debt issues;
- gender equality and equal pay policy, presentation of short-term gender equality objectives for the Supervisory Board and Executive Board.

To support the Board's work and following the specific insurance training seminar organised in 2019, its members participated in a seminar on insurance strategy in October 2020.

This work and the ensuing discussions enabled the Supervisory Board to exercise its powers of oversight of La Banque Postale's management team, together with its decision-making powers.

2.1.3.1.4 Work of the committees of the Supervisory Board

Financial Statements Committee

The Financial Statements Committee is primarily responsible for:

- checking the clarity of financial information supplied by the Executive Board (by reviewing the draft parent company and consolidated financial statements prior to their presentation to the Supervisory Board) and assessing the relevance of the accounting methods used to prepare this information;
- participating in the selection of the statutory auditors and ensuring that they are independent and objective.

More generally, the Committee reports to the Supervisory Board on matters relating to the financial statements and notifies the Board of any material issues that may require a specific decision by the Board, supported by its recommendation thereon.

As of 31 December 2020, the Committee consisted of two independent directors, one of whom chairs the meetings, two members of the Board representing Le Groupe La Poste, the representative of the French State and two members of the Board representing employees. The Government Commissioner also attends the Committee's meetings.

The Committee members have financial and accounting expertise, acquired primarily during their career or in their current positions.

The Financial Statements Committee meets at least twice per year and, in particular, prior to any meeting of the Supervisory Board where one or more agenda items concern its area of expertise. The Chairman of the Committee reports on its work to the Supervisory Board after every meeting. The Committee may seek the assistance of any person whose skills and expertise it considers necessary to fulfil its remit.

The Committee hears the opinions of the statutory auditors, the Bank's Chief Financial Officer, the Chief Risk Officer and the Head of Internal Audit on issues that concern them, including the Company's risk exposures and significant off-balance sheet commitments, the main observations made during the statutory audit of the accounts and the choice of accounting options.

The Committee met seven times in 2020 with an average attendance rate of 94%.

During 2020, its work focused primarily on the following issues:

- presentation of the annual financial statements, the Executive Board's management report and the CSR report;
- detailed summary of the statutory auditors' audit of the financial statements;
- the first-time consolidation of CNP Assurances;
- presentation of CNP Assurances' interim financial statements and accounts closing issues;
- the cost of credit risk and provisions for expected credit losses;
- statutory auditors' 2020 audit programme;
- feedback from the statutory auditors' interim work;
- IFRS 9 and IFRS 17;
- presentation of the interim financial statements and interim business report;
- account-closing options;
- implementation of the recommendations made by the Joint Supervisory Team (JST) and the internal auditors concerning accounting issues;
- the short-term exercise (STE);
- accounting systems upgrade project;
- procedure and annual report on non-audit services;
- procedure and time-line for the renewal of the statutory auditors' appointment.

As well as holding its own meetings, the Financial Statements Committee organised a technical workshop jointly with the Risk Committee in December 2020 to examine more closely the options regarding provisions for expected credit losses and the related cost of risk.

Risk Committee

The Risk Committee is primarily responsible for:

- assessing the quality of internal control, focusing primarily on risk management principles and procedures, compliance procedures, the programme of periodic controls and implementation of the main recommendations of the internal auditors and the banking and insurance supervisor;
- examining the internal audit, risk management and Permanent Control Charter;
- examining the compatibility of the Company's remuneration policy and practices with its risk policy;
- more generally, fulfilling the roles described in the French Monetary and Financial Code and the decree of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors licensed by the ACPR.

As of 31 December 2020, the Risk Committee consisted of three independent directors, one of whom chairs the meetings, two members of the Board representing Le Groupe La Poste, the representative of the French State, the Board member elected on the recommendation of CDC and two Board members representing employees. The Government Commissioner also attends the Committee's meetings.

Members of the Committee have the knowledge, skills and expertise necessary to fulfil the Committee's remit and to understand and oversee the Group's strategy and risk appetite. If required, training is organised when members join the Committee or during their term, to improve their knowledge.

The Risk Committee meets at least four times per year and, in particular, prior to any meeting of the Supervisory Board where one or more agenda items concern its area of expertise. The Chairman of the Committee reports on its work to the Supervisory Board after every meeting. The Committee may also seek the assistance of any person whose skills and expertise it considers necessary to fulfil its remit.

La Banque Postale's Chief Financial Officer, the Chief Compliance Officer, the Chief Risk Officer and the Head of Internal Audit make presentations to the Committee on issues within the scope of their responsibilities.

Before each meeting of the Risk Committee, the members meet behind closed doors, without any representatives of La Banque Postale being present, in order to prepare for the meeting.

The Committee met eight times in 2020 with an average attendance rate of 98%.

During 2020, its work focused primarily on the following issues:

- recovery and resolution plan;
- risk appetite framework (guidelines, policies and exposure limits);
- overview of risks and instances where exposure limits had been exceeded;
- the Covid-19 situation and temporary adjustment of the risk appetite during the crisis;
- implementation of the anti-money laundering and financing of terrorism (AML/TF) action plan, follow-up of AML/TF remedial plans, and Know Your Customer (KYC) procedures;
- annual internal control and risk management report, and AML/TF annual internal control and risk management report;
- supervision of the financial conglomerate;
- compliance reports and updates on the revision of compliance policies;
- conflict of interests prevention and management policy;
- 2020 control plan, activity review and results of permanent controls;
- review of internal audit reports, follow up of action plans to implement the auditors' recommendations and annual activity report;
- risk map;
- update of the Risk Managers' Charter and the Internal Auditors' Charter;
- risk takers;
- review of HR risks;
- ILAAP, ICAAP and STE;
- SREP letter;
- review of human resources in the risk, compliance and internal audit functions;
- European Central Bank follow-up letters;
- European Central Bank audit of internal risk governance and management processes;
- risk management system concerning individual and business customers, the insurance undertakings, the asset management firms, and the Corporate and Investment Banking unit;
- annual review of measures deployed in application of the Sapin 2 Law (system to prevent and detect corruption, etc.);
- application of the General Data Protection Regulation (GDPR);
- 2020 internal audit plan update and 2021 plan;
- work of the Committee and its procedures.

During 2020, in addition to its scheduled meetings, the Committee organised three working seminars and technical workshops to examine in more detail the issues related to CNP Assurances (governance and key functions, risk profile, Solvency II balance sheet), the cost of risk and the risk appetite framework.

Appointments Committee

In order to prepare the work of the Supervisory Board on the appointment procedures followed by the La Banque Postale, the Appointments Committee is notably responsible for the following tasks:

- prior review of the profiles of individuals under consideration for a seat on the Board due to their independence vis-à-vis the Company or Le Groupe La Poste, or for appointment to the Executive Board. The Committee also gives its opinion concerning the proposed re-election of Board members;
- periodic assessment (at least once per year) of:
  - the structure, size, membership and efficiency of the Supervisory Board in relation to its roles and responsibilities. Any recommendations resulting from the Committee's assessment are submitted to the Supervisory Board;
  - the knowledge, skills and experience of the Supervisory Board members, both individually and collectively. The Committee reports on this assessment to the Supervisory Board;
- setting the target to be achieved in relation to gender balance on the Supervisory Board and proposing a policy to achieve this target;
- annual assessment of the balance and diversity of knowledge, skills and experience represented on the Supervisory Board collectively and by individual members;
- specification of the tasks and qualifications that are required of Supervisory Board members and assessment of the time to be devoted to the Supervisory Board by its members;
- review of the management succession plan in order to recommend possible candidates for appointment to executive management positions, notably in the event of an unforeseen vacancy.

As of 31 December 2020, the Appointments Committee consisted of three independent directors, one of whom chairs the meetings, the Chairman of the Supervisory Board, the representative of the French State, the Supervisory Board member elected on the recommendation of CDC and a Board member representing employees. The Government Commissioner also attends the Committee's meetings.

Members of the Executive Board may attend Committee meetings at the request of the Chairman of the Committee. The Committee can also hold discussions with the main senior executives of the Company and its subsidiaries, and can consult anyone whose expertise the Committee believes is required to fulfil its remit. It can be assisted by the departments responsible for internal control and by outside experts.

The Appointments Committee met eight times in 2020 with an average attendance rate of 98%.

At its first meetings in 2020, it reviewed the membership of the Supervisory Board and its committees, primarily from the standpoint of gender balance, the Board members' independence and the prevention of conflicts of interest, as well as updating the succession plan. In a subsequent meeting, it examined the proposed appointment of an additional Executive Board member and then devoted several meetings to the appointment process for a new Chairman of the Executive Board.

Remuneration Committee

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

- annual reviews of:
  - the principles underlying the remuneration policy,
  - the remuneration, allowances and benefits of all types awarded to the members of the Executive Board,
  - the remuneration policy for employees whose activities are likely to have a material impact on La Banque Postale's risk exposure,
  - the report prepared by the Executive Board pursuant to Article 266 of the decree of 3 November 2014 and forwarded to France's banking and insurance supervisor (ACPR);
- the policy concerning the remuneration paid to Supervisory Board members for their services to the Board;
- retirement and benefits plans;
- the pros and cons of setting up share-based payment schemes for corporate officers and/or employees.

At 31 December 2020, the Committee consisted of three independent directors, one of whom chairs the meetings, the Chairman of the Supervisory Board, the State representative and a member of the Board representing employees. The Government Commissioner also attends the Committee's meetings.

The Committee can hold discussions with the main senior executives of the Company and its subsidiaries and can consult anyone whose expertise the Committee believes is required to fulfil its remit. It can also be assisted by the departments responsible for internal control and by outside experts.

The Remuneration Committee met five times in 2020 with an average attendance rate of 97%.

During 2020, its work focused primarily on the following issues:

- the principles underlying the remuneration policy and the report prepared pursuant to Article 266 of the decree of 3 November 2014;
- the remuneration of Executive Board members and their performance targets;
- risk takers (internal audit report, updates to the list of risk takers, etc.);
- the remuneration awarded to Supervisory Board members.

Strategy Committee

The Strategy Committee reviews the transactions submitted for the prior authorisation of the Supervisory Board in accordance with the law and the Articles of Association. It also examines and monitors implementation of the multi-year business plan, as well as the strategic projects and transactions of the Company and its subsidiaries.

At 31 December 2020, the Committee consisted of three independent directors, the Vice Chairman of the Supervisory Board, who chairs the meetings, another member representing Le Groupe La Poste, the representative of the French State, the Supervisory Board member elected on the recommendation of CDC, and two members of the Board representing employees. The Government Commissioner also attends the Committee's meetings.

At the prior request by its Chairman, the Committee can hold discussions with the main senior executives of the Company and its subsidiaries and can invite anyone whose expertise the Committee believes is required to fulfil its remit.

The Strategy Committee met four times in 2020 to examine the strategic issues due to be presented to the Supervisory Board for review, with an average attendance rate of 94%.

During 2020, its work mostly concerned La Banque Postale's own strategic projects, the short-term exercise, La Banque Postale's strategy for the insurance business and the draft 2021-2030 business plan.

2.1.3.1.5 Supervisory Board comments on the report of the Executive Board and the 2020 financial statements

As required by law and the Company's Articles of Association, the Supervisory Board has performed the verifications and controls it deemed necessary as part of its responsibility for overseeing the management of the Company by the Executive Board.

Its procedures included reviewing the parent company and consolidated financial statements for 2020 presented to it by the Executive Board, in accordance with the law. It also reviewed the Executive Board's management report on La Banque Postale Group's business for the financial year.

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

2.1.3.2 The Executive Board

2.1.3.2.1 Membership of the Executive Board

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

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

As of the date of this report, the Executive Board is composed of the following members appointed by the Supervisory Board:

- Philippe Heim, Chairman of the Executive Board;
- Marc Batave, member of the Executive Board and Chief Executive Officer[1], Commercial Banking, whose appointment ends on 31 March 2021;
- Gregorio Antonio Blanco, member of the Executive Board, General Secretary.

The members of the Executive Board are the persons effectively responsible for running the undertaking within the meaning of Article L. 511-13 of the French Monetary and Financial Code.

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

Changes in the Executive Board's membership in 2020 and 2021

On 3 August 2020, Philippe Bajou was appointed as a member of the Executive Board on the recommendation of the Appointments Committee.

After Rémy Weber left on 3 August 2020, Tony Blanco was appointed as acting Executive Board Chairman pending completion of the

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

selection process for the new Chairman. On 1 September 2020, on the recommendation of the Appointments Committee, Philippe Heim was appointed to the Executive Board and as Board Chairman in place of Tony Blanco.

At its meeting on 24 February 2021, the Supervisory Board noted the departures of the following Executive Board members:

- Anne-Laure Bourn;
- Philippe Bajou, effective 28 February 2021;
- Marc Batave, effective 31 March 2021, the date on which he will take retirement.

The Appointments Committee is currently leading the selection process in order to propose candidates to the Supervisory Board to fill the positions left vacant by these departures.

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

Summary presentation of the serving Executive Board members as of the date of this report

	Personal information				Experience	Position on the Executive Board		
	Age at 31 Dec. 2020	**Gender**	**Nationality**	**Number of shares**	**Number of directorships of listed companies**	**First appointed**	**Current term expires**	**Years on the Executive Board at 31 Dec. 2020 (rounded)**
Philippe Heim Chairman of the Executive Board	52	M	French	N/A	1	1 Sep. 2020	26 Feb. 2023	4 months
Marc Batave Member of the Executive Board and Chief Executive Officer(1) of Commercial Banking	62	M	French	N/A	0	9 Jan. 2013	31 Mar. 2021	8 years
Gregorio Antonio Blanco Member of the Executive Board and General Secretary	55	M	French	N/A	1	6 Sep. 2017	26 Feb. 2023	3 years

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

Detailed presentation of the Executive Board members

N.B.: directorships and positions held in companies whose shares are admitted to trading on a regulated market are identified by an asterisk.*

Philippe Heim, born in 1968

Chairman of the Executive Board

First appointed: 1 September 2020

Current term expires: 26 February 2023

Business address: La Banque Postale – 115 rue de Sèvres – 75275 Paris Cedex 06

Education: Graduate of ESCP Europe business school, degree in moral and political philosophy from the Sorbonne University, graduate of *Institut d'Etudes Politiques de Paris*, *École Nationale d'Administration* (ENA)

EXPERIENCE

- Civil service:
  - from 1997 to 2007, within the Ministry of the Economy and Finance, in the Budget Department and then as a ministerial advisor.
- Société Générale:
  - from July 2007 to December 2009, Senior Banker in charge of Global Relations, responsible for strategic client relationships at SG CIB;
  - from December 2009 to March 2013, Director, Strategy and M&A, then, from March 2013, Group Chief Financial Officer;
  - from May 2018 to August 2020, Philippe Heim served as Deputy Chief Executive Officer in charge of International Retail Banking, Financial Services and Insurance.
- Since 1 September 2020, Chairman of the Executive Board of La Banque Postale, Executive Vice President and Head of Financial Services of La Poste.

CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Director and member of the Strategy and Appointments & Remuneration Committees of CNP Assurances (SA) since 24 September 2020.
- Chairman of the Board of Directors of Ma French Bank (SA) since 1 October 2020.
- Director and member of the Remuneration Committee of La Banque Postale Assurances IARD (SA) since 16 October 2020.
- Chairman of the Supervisory Board of La Banque Postale Asset Management (SA with an Executive Board) since 2 October 2020 and member of the Appointments & Remuneration Committee since 31 October 2020.
- Chairman of the Board of Directors of La Banque Postale Asset Management Holding (SA) since 31 October 2020.
- Director of Ostrum Asset Management (SA) since 31 October 2020 and member of the Appointments & Remuneration Committee since 9 December 2020.
- Director and Vice-Chairman of the Board of Directors of l'Envol, the La Banque Postale campus (non-profit), since 20 November 2020.
- Representative of La Banque Postale, Manager of CRSF Dom, CRSF Métropole and Tertiaire Saint Romain (non-trading property companies) since 1 September 2020.
- Director of Poste Immo (SA) since 16 December 2020.

Companies outside Le Groupe La Poste

- Vice-Chairman of Association Française des Banques (AFB) since 1 September 2020.
- Permanent representative of the AFB and member of the Executive Committee of Fédération Bancaire Française (non-profit) since 1 September 2020.
- Member of the Board of Paris Europlace (non-profit) since 1 September 2020.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Chairman of the Board of Directors of SOGECAP from May 2018 to August 2020.
- Deputy Chief Executive Officer of Société Générale from May 2018 to August 2020.
- Chairman of the Board of Directors of ALD Automotive from May 2019 to August 2020.
- Director of Rosbank (Russian Federation) from May 2018 to August 2020.
- Director and Chief Executive Officer of Inter Europe Conseil from March 2013 to April 2019.
- Member of the Supervisory Board of SG Marocaine de Banques from May to June 2019.
- Director of BRD (Romania) from June 2018 to November 2019.

Marc Batave, born in 1958

Member of the Executive Board

First appointed: 9 January 2013

Current term expires: 31 March 2021

Business address: La Banque Postale – 115 rue de Sèvres – 75275 Paris Cedex 06

Education: Graduate of ESSEC

EXPERIENCE

- Crédit du Nord Group from 1983 to 2011:
  - from 1983 to 1985, Deputy Head of the Labour Relations Section of the Human Resources Department of Crédit du Nord;
  - from 1985 to 1986, Trading Department;
  - from 1986 to 1993, Savings and Insurance Products Manager, Head of Retail Banking then Head of Marketing at Crédit du Nord;
  - from 1993 to January 2000, Vice-Chairman, then Chairman of the Executive Board of Banque Courtois;
  - from January 2000 to July 2011, Head of Customer Relations, Executive Vice President and then Chief Operating Officer of Crédit du Nord.
- La Banque Postale:
  - from 1 November 2012 to 9 January 2013, Commercial Banking Director and member of the Executive Committee of La Banque Postale;
  - since 9 January 2013, member of La Banque Postale's Executive Board; General Secretary from 9 January 2013 to 25 May 2016 and acting General Secretary until 5 September 2017;
  - from May 2016 to January 2020, Chief Executive Officer[1], Commercial Banking and Insurance, and since 20 January 2020, Chief Executive Officer of Commercial Banking.

CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Chairman of the Supervisory Board and of the Appointments & Remuneration Committee of BPE (SA with an Executive Board and a Supervisory Board).
- Chairman of the Supervisory Board and member of the Appointments Committee, then Chairman of the Remuneration Committee of La Banque Postale Consumer Finance (formerly La Banque Postale Financement) (SA with an Executive Board and a Supervisory Board) since 18 December 2020.
- Chairman of the Supervisory Board and Chairman of the Appointments and Remuneration Committees of La Banque Postale Leasing & Factoring (SA with an Executive Board and a Supervisory Board).
- Member of the Board of Directors of KissKissBankBank & Co (SAS).
- Director of Ma French Bank (SA) since 29 July 2020.
- Member of the Supervisory Board of La Banque Postale Asset Management (SA with an Executive Board and a Supervisory Board) since 31 October 2020.
- Director of La Banque Postale Asset Management Holding (SA) since 31 October 2020.
- Permanent representative of La Banque Postale on the Strategy Committee of Adresse Musée de La Poste (non-profit).

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Executive Chairman, member and Chairman of the Audit and Risk Committee and Chairman of the Board of Directors of La Banque Postale Crédit Entreprises (SAS).
- Member and Chairman of the Supervisory Board and member of the Remuneration Committee of SOFIAP (SA with an Executive Board and a Supervisory Board).
- Permanent representative of La Banque Postale on the Board of Directors, Chairman of the Audit & Risk Committee and member of the Appointments & Remuneration Committee of BPE (SA).
- Permanent representative of La Banque Postale, member of the Supervisory Board of XAnge Private Equity (SA with an Executive Board and a Supervisory Board).
- Member of the Supervisory Board and the Remuneration Committee of La Banque Postale Gestion Privée (SA with an Executive Board and a Supervisory Board).
- Permanent representative of La Banque Postale on the Board of Directors of OCBF (non-profit).
- Chairman of the Management Committee of Titres-Cadeaux (SAS).
- Member of the Supervisory Board of Fonds de Garantie des Dépôts (fund).
- Permanent representative of SF2 on the Board of Directors of Tocqueville Finance (SA) and Tocqueville Finance Holding (SAS).
- Director, member and Chairman of the Finance Committee of La Banque Postale Assurances IARD (SA).
- Permanent representative of La Banque Postale on the Board of Directors of La Banque Postale Home Loan SFH (SA).
- Member and Chairman of the Management Committee of Ezyness (SAS).
- Member and Vice-Chairman of the Management Committee of Titres-Cadeaux (SAS).
- Vice-Chairman of the Board of Transactis (SAS).
- Director of La Banque Postale Collectivités Locales (SA) until 1 April 2020.
- Permanent representative of La Banque Postale on the Board of Directors of Ma French Bank (SA) until 29 July 2020.
- Vice Chairman of the Board of Directors (until 3 August 2020) then Chairman of the Board of Directors of KissKissBankBank & Co (SAS) from 3 August to 1 October 2020.
- Permanent representative of SF2, member of the Supervisory Board of La Banque Postale Asset Management (SA with an Executive Board and a Supervisory Board) until 31 October 2020.
- Director of Sopassure (SA) until 31 December 2020.

(1) The term Chief Executive Officer (*Directeur général*) is not within the meaning of Article L. 255-66 of the French Commercial Code.

Gregorio Antonio Blanco, born in 1965

Member of the Executive Board

First appointed: 6 September 2017

Current term expires: 26 February 2023

Business address: La Banque Postale – 115 rue de Sèvres – 75275 Paris Cedex 06

Education: Graduate of *École polytechnique*, engineering degree from *École Nationale Supérieure des Télécommunications* (*Corps des Mines*), MBA from INSEAD

EXPERIENCE

- From 1988 to 1997, France Télécom, operational positions in France and abroad, including as head of a regional operations centre, before being appointed Regional Sales Manager for the Lille region.
- From February 1997 to February 2010, at strategy consulting firm McKinsey & Co, Consultant then Project Manager, then Associate Director in the Financial Institutions group.
- From March 2010 to December 2010, Deputy Chief Executive Officer and Head of Private Banking Customer Relations at Barclays Bank France.
- From December 2010 to August 2017, Chief Executive Officer of Barclays Bank France, Barclays Country Manager for France, member of the Europe Retail & Business Banking Executive Committee.
- From January 2014 to May 2016, Chief Executive Officer of Barclays Italy Retail & Business Banking.
- Since 6 September 2017, member of the Executive Board and General Secretary of La Banque Postale.
- Acting Chairman of the Executive Board of La Banque Postale from 3 August to 1 September 2020.

CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Permanent representative of SF2, member of the Supervisory Board of La Banque Postale Consumer Finance (formerly La Banque Postale Financement) (SA with an Executive Board and a Supervisory Board) and Chairman of the Risk Committee.
- Director, then Chairman of the Board of Directors and Chairman of the Remuneration Committee of La Banque Postale Assurances IARD (SA) since 10 December 2020.
- Chairman of the Board of Directors of Ezyness (SAS).
- Chairman of the Board of Directors of Transactis (SAS) since 1 April 2020 and member of the Strategy Committee since 24 January 2020.
- Director of CNP Assurances* and member of the Audit Committee since 4 March 2020.
- Permanent representative of La Banque Postale on the Board of Directors of Ma French Bank (SA) since 29 July 2020.
- Member of the Supervisory Board of La Banque Postale Asset Management (SA) since 31 October 2020.
- Director and member of the Yellow Committee of La Banque Postale Asset Management Holding (SA) since 31 October 2020.
- Director of Ostrum Asset Management (SA) since 31 October 2020.
- Director and Chairman of the Board of Directors of La Banque Postale Prévoyance (SA) since 8 December 2020.
- Director and Chairman of the Board of Directors of La Banque Postale Assurance Santé (SA) since 18 December 2020.

Companies outside Le Groupe La Poste

- Director of Paylib (SAS).
- Director of the European Payment Initiative.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Chief Executive Officer of Barclays Bank PLC (United Kingdom).
- Chairman and Chief Executive Officer of Barclays Vie (SA).
- Chief Executive Officer of Barclays France (SA).
- Director of Barclays Wealth Managers (SA).
- Director of Barclays Diversification (SA).
- Manager of Barclays Patrimoine (SCS).
- Director of Barclays Vida y Pensiones (Spain).
- Chairman of the Audit & Risk Committee of La Banque Postale Asset Management (SA with an Executive Board and a Supervisory Board).
- Acting Chairman of the Executive Board of La Banque Postale (SA with an Executive Board and a Supervisory Board) from 3 August to 1 September 2020.
- Permanent representative of La Banque Postale on the Board of Directors of La Banque Postale Home Loan SFH (SA) until 7 December 2020.
- Member and Chairman of the Appointments Committee, member of the Remuneration Committee (until 24 March 2021) and member of the Audit Committee of La Banque Postale Financement (SA with an Executive Board and Supervisory Board) until 18 December 2020.
- Director and Chairman of the Board of Directors of SF2 (SA) until 14 December 2020.
- Permanent representative of La Banque Postale Asset Management, member of the Supervisory Board (SA with an Executive Board and a Supervisory Board) until 31 October 2020.
- Permanent representative of La Banque Postale on the Board of Directors of Suffren Ré (SA) until 14 December 2020.
- Director of Sopassure (SA) then Chairman and Chief Executive Officer until 31 December 2020.
- Permanent representative of SF2 on the Board of Directors of Tocqueville Finance (SA) and Tocqueville Finance Holding (SA) until 4 March 2021.
- Permanent representative of SF2 on the Supervisory Board of La Banque Postale Financement (SA with an Executive Board and Supervisory Board), member of the Audit Committee until 18 December 2020, member of the Remuneration Committee and Chairman of the Appointments Committee until 24 March 2021.
- Director of Office de Coordination Bancaire et Financière (OCBF) until 1 December 2020.
- Vice-Chairman of the Board of Transactis (SAS) until 31 March 2020.

Members of the Executive Board in 2020, who no longer served on the Board as of the date of this report

Philippe Bajou, born in 1958

Member of the Executive Board

First appointed: 3 August 2020

Term expired: 28 February 2021

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

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

EXPERIENCE

- Philippe has spent his entire career with Le Groupe La Poste since 1982.
- Policy officer at the French Post and Telecommunications Ministry, reporting to the Director of Joint Projects; in 1989, then various positions within the Finance Department of La Poste.
- Head of Financial Affairs and Investments at La Poste in 1995, responsible for the CCP (postal chequeing accounts) fund management project from 1998.
- Chief Executive Officer of Efiposte in 2000.
- Member of the Executive Board of La Banque Postale from December 2005 to January 2013.
- Executive Vice President of Le Groupe La Poste and Chief Executive Officer of the La Poste Network from December 2012 to June 2015.
- Became Executive Vice President in charge of transforming Le Groupe La Poste on 19 February 2015, and has been General Secretary and Executive Vice President of Le Groupe La Poste since 2 February 2016.
- Acting Chief Executive Officer of the La Poste Network since 16 June 2020 and member of the Executive Board of La Banque Postale from 3 August 2020 to 28 February 2021.

OTHER CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Chairman of the Board of Directors of Poste Immo (SA).
- Director of L'Envol, La Banque Postale's campus (non-profit).
- Director of Fondation La Poste.
- Member of the Strategy and Finance Committee of La Poste Telecom (SAS).
- Director and member of the Appointments and Remuneration Committee of Geopost (SA).
- Chairman of the Supervisory Committee of Véhiposte (SAS).

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Member and Chairman of the Strategy & Finance Committee of Altergo (SAS) until 16 July 2020.
- Permanent representative of La Poste, member of the Supervisory Board of La Banque Postale (SA with an Executive Board and a Supervisory Board) until 16 June 2020.

Anne-Laure Bourn, born in 1962

Member of the Executive Board

First appointed: 25 May 2016

Term expired: 24 February 2021

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

Education: Graduate of *Institut Supérieur de Gestion* (ISG), *Institut Technique de Banque* (ITB), Executive MBA from HEC

EXPERIENCE

- From 1985 to 1988, marketing research analyst then product manager at Thomson Grand Public.
- At the Crédit Agricole Regional Bank in Morbihan, financial analyst from 1988 to 1990 then Head of the business financing unit from 1990 to 1992 and Head of marketing from 1992 to 1995.
- Joined Le Groupe La Poste in 1995 as Head of marketing and organisation of consumer services for the Western France region; became Head of the Rennes Financial Centre in 2000 then Head of the Paris Financial Centre in 2005.
- From 2006 to 2009, Regional Representative of La Banque Postale West DOMs Corsica.
- From 2009 to 2011, General Secretary and member of the Executive Board of La Banque Postale Asset Management.
- From 2011 to June 2015, Head of Operations at La Banque Postale.
- From June 2015 to January 2021, Executive Vice-President of Le Groupe La Poste, Chief Executive Officer of the La Poste Network and Chief Operating Officer, Financial Services.
- Since January 2021, Special Advisor to the Chairman and Chief Executive Officer of La Poste.
- From 25 May 2016 to 24 February 2021, member of the Executive Board of La Banque Postale.

CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- Member of the Appointments & Remuneration Committee of BPE (SA with an Executive Board and a Supervisory Board), then Vice-Chair of the Supervisory Board.
- Director of Poste Immo (SA).

Companies outside Le Groupe La Poste

- None.

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Member of the Supervisory Board of La Banque Postale Asset Management (SA with an Executive Board and a Supervisory Board).
- Permanent representative of La Banque Postale on the Supervisory Board of BPE (SA with an Executive Board and a Supervisory Board).

Rémy Weber, born in 1957

Chairman of the Executive Board

First appointed: 15 October 2013

Term ended: 3 August 2020

Education: Graduate of IEP Aix en Provence and HEC

EXPERIENCE

- From 1983 to 1987, various positions in the Large Corporates Department of Banque Française du Commerce Extérieur.
- From 1987 to 1989, Special Advisor in the Department of International Affairs at the French Treasury.
- In 1990, Deputy Director of Investment and Mergers & Acquisitions at Financière BFCE.
- In 1993, Regional Director at Lyonnaise de Banque; subsequently, General Secretary and Director of Operations from 1995 to 1996, Executive Vice President from 1996 to 1999 and Chief Executive Officer from 1999 to 2002.
- From 2002 to 2013, Chairman and Chief Executive Officer of CIC Lyonnaise de Banque, member of the Executive Board and then member of the Executive Committee of the CIC Group.
- From 15 October 2013 to 3 August 2020, Chairman of the Executive Board of La Banque Postale, Executive Vice President and Head of Financial Services of La Poste.

CURRENT POSITIONS AND DIRECTORSHIPS

Le Groupe La Poste companies

- None

Companies outside Le Groupe La Poste

- Director and Chairman of the Board of Directors of the Lyon Opera house (non-profit).

DIRECTORSHIPS THAT EXPIRED IN THE LAST FIVE YEARS

- Chairman of the Board of Directors of La Banque Postale Assurance Santé (SA).
- Chairman of the Remuneration Committee of La Banque Postale Asset Management (SA with an Executive Board and a Supervisory Board).
- Member of the Audit Committee of CNP Assurances* (SA).
- Member and Chairman of the Board of Directors and member and Chairman of the Appointments & Remuneration Committee of La Banque Postale Prévoyance (SA).
- Director, member of the Risk & Internal Control Committee and member of the Financial Statements Committee of Société de Financement Local (SA).
- Member and Chairman of the Supervisory Board of La Banque Postale Crédit Entreprises (SA with an Executive Board and a Supervisory Board).
- Chairman and Chief Executive Officer of Sopassure (SA).
- Chairman of the Board of Directors and Chairman of the Remuneration Committee of La Banque Postale Assurances IARD (SA).
- Chief Executive Officer of Sopassure (SA).
- Executive Vice President and Head of Financial Services of La Poste (SA).
- Chairman of the Board of Directors of SF2 (SA).
- Chairman of the Supervisory Board and member of the Appointments and Remuneration Committee of La Banque Postale Asset Management (SA with an Executive Board and a Supervisory Board).
- Director of La Banque Postale Assurance Santé (SA).
- Director of Sopassure (SA) then Chairman and CEO since 2 January 2020.
- Representative of La Banque Postale, Manager of CRSF Dom, CRSF Métropole and Tertiaire Saint Romain (non-trading property companies).
- Director and Vice-Chairman of the Board of Directors of l'Envol, La Banque Postale campus (non-profit).
- Director of Poste Immo (SA).
- Member of the Supervisory Board of La Banque Postale Leasing & Factoring (SA with an Executive Board and a Supervisory Board).
- Chairman of the Management Committee of KissKissBankBank & Co (SAS).
- Chairman of the Board of Directors of Ma French Bank (SA).
- Director and member of the Strategy Committee of CNP Assurances* (SA).
- Vice-Chairman of Association Française des Banques (AFB).
- Permanent representative of the AFB and member of the Executive Committee of Fédération Bancaire Française.
- Member of the Board of Paris Europlace (non-profit).

Conflicts of interest

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

Apart from related party agreements and commitments authorised in advance by the Supervisory Board, there are no arrangements or agreements entered into with clients, suppliers or any other third parties resulting in the selection of a member of the Executive Board.

In addition, La Banque Postale Group has drawn up a master policy for the prevention and management of conflicts of interest, in order to identify conflicts of interest and establish a system to prevent – and if necessary, manage – their occurrence. The policy covers specific rules applicable to senior management and it also takes into account the fact that certain La Banque Postale executives may also hold positions in Le Groupe La Poste under the specific law governing the Group's activities.

2.1.3.2.3 Internal committees of the Executive Board

In 2020, the Executive Board was supported by an Executive Committee, a General Management Committee and several special committees.

The Executive Committee

Made up of five members of the Executive Board and seven heads of business lines, corporate functions and control functions:

- Serge Bayard, Head of Corporates and Territorial Development;
- François Géronde, Chief Financial Officer;
- Perrine Kaltwasser, Chief Risk Officer;
- Olivier Lévy-Barouch, Strategy and Finance Director;
- Antoine Lissowski, Chief Executive Officer of CNP Assurances, who will be replaced by Stéphane Dedeyan from 16 April 2021;
- Christophe Van de Walle, Operations Director;
- Maud Vimeux, Executive Vice President of the La Poste Network, Human Resources Director, La Banque Postale, Financial Services and the Network.

The Executive Committee meets once a week. It steers La Banque Postale's business and supports the Executive Board, particularly in the area of marketing.

The General Management Committee (CDG)

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

The CDG is chaired by Philippe Heim and made up of the members of the Executive Committee plus:

- Michel Andignac, Chief Executive Office of La Banque Postale Assurances IARD and Director of the Non-Life Insurance business unit;
- Pierre de Buhren, Commercial Banking Marketing Director;
- Delphine de Chaisemartin, Director of Public Affairs;
- Philippe Cuvelier, IT Systems Director for La Banque Postale and the La Poste Network;
- Jérôme Fischer, Head of Internal Audit;
- Régis Folbaum, Payments and Group Data Director;
- Jean-Claude Gauthier, Executive Vice President of the La Poste Network in charge of development;
- Alexandre Giros, Innovation, Digital and Data Director;
- Thomas Guittet, Deputy Director of Group Risks;
- Alice Holzman, Chief Executive Officer of Ma French Bank;
- Christophe Juguet, Budget Control Director;
- Stéphane Magnan, Director, Corporate and Investment Banking;
- Betty Marcerou, Deputy Head of Corporates and Regional Development;
- Emmanuelle Mourey, Chair of the Executive Committee of La Banque Postale Asset Management (LBPAM);
- Marie-Frédérique Naud, Executive Vice President and Transformation Director, the La Poste Network;
- Franck Oniga, Chairman of the Executive Board of La Banque Postale Consumer Finance;
- Jean-Marc Ribes, Chairman of the Executive Board of BPE and Director of the Wealth Management Division;
- Cécile Riffard-Brédillot, Communication and Brand Director;
- Dominique Rouquayrol de Boisse, Chief Compliance Officer, La Banque Postale Group.

Eleven special committees:

The committees of the Executive Board are chaired by a member of the Executive Board or the Executive Committee; they comprise members and executives who have a standing invitation to attend meetings.

- the Group ALM Committee;
- the Group Capital Management Committee;
- the Customer Committee;
- the Conglomerate Committee;
- the Executive Board Commitments Committee;
- the Group Investment Committee;
- the AML/TF Committee;
- the Strategic Marketing Committee;
- the Group Risk Management Committee;
- the Insurance Strategy Committee;
- the Information Systems and Major Projects Strategy Committee;
- the Third-party Asset Management Monitoring Committee;
- the Pricing Committee.

Diversity

In 2008, La Banque Postale made commitments to promote employment of people with disabilities and offer equal opportunities to women and men. Successive agreements have been signed in support of these commitments.

In 2013, La Banque Postale signed the Diversity Charter as a commitment to fight discrimination in employment and to work in favour of diversity.

Momentum has been sustained with the signature of two agreements: one in June 2020 in favour of people with disabilities and the second dated 22 October 2020 promoting diversity and gender equality in the workplace.

The 2020-2022 Diversity and Gender Equality agreement sets more challenging objectives for the next two years. La Banque Postale Group's 2020 Gender Equality Index (based on 2019 data) was 97/100.

The agreement's objectives are clearly stated:

- increase the proportion of women in middle and senior management positions to 43% and 40% respectively;
- provide targeted support for women identified as having senior management potential, in the form of training, coaching or mentoring programmes, with the aim of having equal numbers of men and women on the Management Boards and committees;
- remind all unit managers and human resources managers of this goal ahead of the annual performance reviews, in order to ensure that the proportion of women given a promotion is consistent with the proportion of women at the grade concerned in their unit;
- set aside a specific budget to be used during the annual salary negotiations to reduce unjustified pay differentials.

Lastly, the creation of a network of Equality champions covering all levels of the organisation will help to raise awareness of potential gender bias and prevent day-to-day sexism.

As of the date of this report, 29% of the members of the General Management Committee are women. They also account for 34.6% of the senior management team at La Banque Postale and 40.3% of middle management.

2.2 REMUNERATION

2.2.1 Principles and rules for setting the remuneration of the members of the Executive Board

Based on the work of the Remuneration Committee, La Banque Postale has drawn up principles and rules for setting the remuneration of Executive Board members in accordance with the main recommendations of the Afep/Medef Code and the decree of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors licensed by the ACPR.

Remuneration systems were reviewed following the decree of 15 October 2012 subjecting La Banque Postale to the provisions of Article 3 of decree no. 53-707 of 9 August 1953, as amended by decree no. 2012-915 of 26 July 2012 on State control over the remuneration of the managers of State-owned companies. La Banque Postale is no longer concerned by the decree of 9 August 1953 (amended in 2012) since Caisse des Dépôts et Consignations acquired control of La Poste in March 2020.

Fixed and variable remuneration

The remuneration of the Executive Board is determined by the Supervisory Board based on the proposal of the Remuneration Committee.

The Chairman of the Executive Board receives only a fixed salary for his services, in the amount of €450,000. Part of this salary is paid by La Poste pursuant to his employment contract as Director of Le Groupe La Poste's Financial Services Division (Financial Centres), represented by La Banque Postale. He does not receive any variable remuneration.

Anne-Laure Bourn and Philippe Bajou are only paid a salary under their employment contracts with Le Groupe La Poste.

Members of the Executive Board do not receive any remuneration from La Banque Postale other than that paid in respect of their services as Board members, or any remuneration for their services as directors of subsidiaries of La Banque Postale Group.

The annual variable remuneration of Marc Batave and Tony Blanco for 2020 was determined on the basis of the following elements:

- Le Groupe La Poste's 2020 quantitative objectives, weighted at 10%;
- qualitative objectives, weighted at 40%, concerning development of the 2030 business plan, successful integration of CNP Assurances, improvements in customer satisfaction levels, leadership of major transformation projects, improved risk and compliance management, and strict adherence to La Banque Postale's positioning as a leader in responsible finance;
- quantitative objectives weighted at 50%:
  - for 50% of the quantitative objectives, based on the financial performance of La Banque Postale (including CNP Assurances), measured in terms of attributable net income, net banking income and cost-income ratio,
  - for 25% of the quantitative objectives, based on the business performance of La Banque Postale (excluding CNP Assurances), measured in terms of growth in the business base, and its financial performance (excluding CNP Assurances), measured in terms of consolidated net banking income and risk-weighted assets,
  - for 25% of the quantitative objectives, based on the financial performance of CNP Assurances, measured in terms of premium income, total revenue and attributable net income.

Achievement rates for the qualitative and quantitative criteria have been clearly defined but are not disclosed for confidentiality reasons.

The targets for 2021 were not known as of the date of this document.

Other benefits or compensation

Philippe Heim, Marc Batave and Tony Blanco are covered by health and death/disability insurance taken out by the Company for all La Banque Postale employees. They are also covered by death/disability insurance taken out by the Company for all senior executives, and have the use of a company car. Rémy Weber also received these benefits.

Anne-Laure Bourn and Philippe Bajou are covered by health and death/disability insurance taken out by La Poste for all La Poste employees, as well as by the supplementary health and death/disability insurance taken out for all La Poste senior executives. They also have the use of a company car.

The members of the Executive Board are not entitled to any non-compete indemnity. They have not been awarded any stock or debt options, or any performance shares.

Lastly, Executive Board members do not participate in any Company-sponsored supplementary pension plan.

Compensation for loss of office

On 27 February 2018, following the re-appointment of the Executive Board members, the Supervisory Board renewed its commitment concerning the payment of compensation for loss of office to Marc Batave.

On 1 September 2020, following the appointment of Philippe Heim as Chairman of the Executive Board, the Supervisory Board gave a commitment to him concerning the payment of compensation for loss of office.

Compensation for loss of office would be payable to Philippe Heim and Marc Batave in the event of their removal from office, other than due to gross or serious misconduct or mismanagement with a serious adverse effect on La Banque Postale's financial position, or their loss of office as a result of a merger, a change of control or strategy.

The compensation for loss of office payable to Philippe Heim would be equal to:

- no more than double his annual remuneration applicable at the time of his loss of office, with payment of this compensation subject to a performance condition, i.e., the achievement rate for the Executive Board's targets would have to have been at least 80% for two of the previous three years; or
- no more than the equivalent of his annual remuneration applicable at the time of his loss of office, with payment of this compensation subject to a performance condition, i.e., the achievement rate for the Executive Board's targets would have to have been at least 80% for one of the previous two years.

The compensation for loss of office due to Marc Batave would be the aggregate amount of his last fixed annual remuneration applicable at the time of his loss of office, plus the average of his variable annual remuneration for the last three years. Payment of this compensation would be subject to a performance condition, i.e., the achievement rate for the Executive Board's targets would have to have been at least 80% for two of the previous three years.

Until 2019, Marc Batave was covered by an unemployment insurance policy taken out by La Banque Postale for senior executives (GSC). In the event of loss of office, total payments under this policy are capped at one year's remuneration. Payments under the GSC policy stop when the insured is in a position to claim a pension under the government-sponsored scheme. Marc Batave was in this position in 2020 and the GSC cover was therefore discontinued.

The Supervisory Board also confirmed the authorisation given to La Banque Postale to take out senior executive unemployment insurance (GSC) for Tony Blanco covering the risk of loss of office (including due to the non-renewal of his appointment) and to pay the related premiums.

Rules for determining the remuneration of Supervisory Board members

The applicable rules for determining the remuneration awarded to the members of the Supervisory Board are proposed by the Remuneration Committee to the Supervisory Board. These rules, which were determined based on a benchmarking analysis of a panel of banks and insurance companies and a sample of State-owned companies, are presented below.

All members of the Supervisory Board are remunerated for their services on the Board, with the exception of the members representing employees. The Chairman of the Supervisory Board receives a flat amount. The remuneration awarded to the other members is calculated based on their attendance rate at meetings of the Supervisory Board and its committees, with the Chair of each committee receiving an additional flat amount.

Since 2006, the total remuneration awarded to the members of the Supervisory Board has been capped at €450,000 per year.

Since 2013, the remuneration is paid in two instalments:

- an initial payment on account calculated by the above method based on the number of Board and committee meetings held during the first half of the current year;
- a final payment for the balance of the annual amount due.

Following a decision approved by the Supervisory Board on 11 April 2018, the allocation rules were modified as explained below.

Remuneration awarded for 2020

The remuneration awarded to the Chairman of the Supervisory Board for 2020 represented a flat amount of €20,000. The amount awarded to each member of the Supervisory Board was prorated to their attendance rate at Board meetings, with a cap of €18,000.

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

Pursuant to the internal rules of Le Groupe La Poste, the remuneration awarded to the Supervisory Board members representing Le Groupe La Poste is paid to La Poste. Likewise, representatives of La Poste do not receive any remuneration for their services as directors of companies in La Banque Postale Group.

The remuneration awarded to the Supervisory Board member elected on the recommendation of the Caisse des Dépôts group is paid to Caisse des Dépôts. The remuneration awarded to the representative of the French State is paid to the French Treasury.

2.2.2. Remuneration paid

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

Remuneration of members of the Supervisory Board for 2019 and 2020

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

Name of the corporate officer	Gross amounts due for 2019 (€)	Recipient	Theoretical gross amounts[7] due for 2020 (€)	Recipient
Philippe Wahl[1] [7]				
Awarded remuneration	20,000	La Poste	20,000	La Poste
Other exceptional remuneration	-		-	
Philippe Bajou[2] [7]				
Awarded remuneration	15,249	La Poste	8,000	La Poste
Other exceptional remuneration	-		-	
Yves Brassart[7]				
Awarded remuneration	52,400	La Poste	66,300	La Poste
Other exceptional remuneration	-		-	
Nathalie Collin[7]	-			
Awarded remuneration	7,714	La Poste	18,000	La Poste
Other exceptional remuneration	-		-	
Sophie Renaudie[7]				
Awarded remuneration	46,200	La Poste	56,300	La Poste
Other exceptional remuneration	-		-	
Nicolas Routier[2] [3] [7]				
Awarded remuneration	15,249	La Poste	12,000	La Poste
Other exceptional remuneration	-		-	
Olivier Sichel[3]				
Awarded remuneration	-	Caisse des Dépôts et Consignations	29,600	Caisse des Dépôts et Consignations
Other exceptional remuneration	-		-	
Nathalie Dieryckxvisschers[4]				
Awarded remuneration	29,686	The French State	-	The French State
Other exceptional remuneration	-		-	
Marie-Anne Lavergne[5] [6]				
Awarded remuneration	17,414	The French State	78,400	The French State
Other exceptional remuneration				
Michel Madelain				
Awarded remuneration	69,000	The person concerned	92,300	The person concerned
Other exceptional remuneration	-	-	-	-
Sophie Lombard[2]				
Awarded remuneration	73,000	The person concerned	12,268.50	The person concerned
Other exceptional remuneration	-		-	
Emmanuel Rondeau				
Awarded remuneration	69,000	The person concerned	102,865.75	The person concerned
Other exceptional remuneration	-	-	-	-
Nefissa Sator[3]				
Awarded remuneration	-	The person concerned	61,265.75	The person concerned
Other exceptional remuneration	-		-	
Sandrine Fagot-Revurat				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-

Name of the corporate officer	Gross amounts due for 2019 (€)	Recipient	Theoretical gross amounts[7] due for 2020 (€)	Recipient
Thierry Freslon				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Jean-Pierre Hakizimana				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Steeve Maigne				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
Thierry Viarouge				
Awarded remuneration	-	-	-	-
Other exceptional remuneration	-	-	-	-
TOTAL REMUNERATION PAID[7]	**415,272**		**450,000**	

In addition:

(1) Philippe Wahl received remuneration from La Poste that included benefits in kind valued at €454,212 and €455,392.70 in 2019 and 2020, respectively.

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

(3) Member who joined the Supervisory Board during 2020. Nicolas Routier ceased being a member of the Supervisory Board in his own name on 4 March 2020 and rejoined the Supervisory Board on 17 June 2020 as permanent representative of La Poste.

(4) Member who stepped down from the Supervisory Board during 2019.

(5) Member who joined the Supervisory Board during 2019.

(6) Marie-Anne Lavergne was appointed representative of the State, member of the Supervisory Board, by decree of 26 September 2019 to replace Nathalie Dieryckxvisschers.

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

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

Remuneration of employee representative members on the Supervisory Board

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

The total gross remuneration (including the variable component) paid to employee representatives on the Supervisory Board under their employment contracts amounted to €374,855 in 2020.

Remuneration of the members of the Executive Board for 2019 and 2020

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)	2019	2020
Philippe Heim		
Gross remuneration payable for the year (details in Table 2)	-	151,107
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the financial year	-	N/A
Value of performance shares awarded during the financial year	-	N/A
Total	**-**	**151,107**
Rémy Weber		
Gross remuneration payable for the financial year (details in Table 2)	453,816	356,028
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the financial year	N/A	N/A
Value of performance shares awarded during the financial year	N/A	N/A
Total	**453,816**	**356,028**
Marc Batave		
Gross remuneration payable for the financial year (details in Table 2)	468,377	N/D
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the financial year	N/A	N/A
Value of performance shares awarded during the financial year	N/A	N/A
Total	**468,377**	**N/D**
Tony Blanco		
Gross remuneration payable for the financial year (details in Table 2)	451,679	N/D
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the financial year	N/A	N/A
Value of performance shares awarded during the financial year	N/A	N/A
Total	**451,679**	**N/D**
Anne-Laure Bourn		
Gross remuneration payable for the financial year (details in Table 2)	486,505	N/D
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the financial year	N/A	N/A
Value of performance shares awarded during the financial year	N/A	N/A
Total	**486,505**	**N/D**
Philippe Bajou		
Gross remuneration payable for the year (details in Table 2)	-	N/D
Value of long-term variable remuneration awarded during the year	-	-
Value of stock options awarded during the financial year	-	N/A
Value of performance shares awarded during the financial year	-	N/A
Total	**-**	**N/D**
EXECUTIVE BOARD TOTAL	**1,860,377**	**N/D**

Annual variable remuneration for 2020 had not been determined as of the date of this document.

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

(in euros)	2019		2020	
	Amounts payable for the financial year	Amounts paid during the financial year	Amounts payable for the financial year	Amounts paid during the financial year
Philippe Heim				
Fixed remuneration	-	-	150,000	150,000
Of which paid by La Banque Postale	-	-	120,000	120,000
Of which paid by La Poste	-	-	30,000	30,000
Variable annual remuneration	-	-	-	-
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Remuneration[1]	-	-	-	-
Benefits in kind[2]	-	-	1,107	1,107
Total	**-**	**-**	**151,107**	**151,107**
Rémy Weber				
Fixed remuneration	450,000	450,000	352,679	352,679
Of which paid by La Banque Postale	360,000	360,000	211,429	211,429
Of which paid by La Poste	90,000	90,000	141,250	141,250
Variable annual remuneration	-	-	-	-
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Remuneration[1]	-	-	-	-
Benefits in kind[2]	3,816	3,816	3,349	3,349
Total	**453,816**	**453,816**	**356,028**	**356,028**
Marc Batave				
Fixed remuneration	409,000	409,000	409,000	409,000
Variable annual remuneration	36,994	35,992	N/D	36,994
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Remuneration[1]	-	-	-	-
Benefits in kind[2]	22,383	22,383	2,901	2,901
Total	**468,377**	**467,375**	**N/D**	**448,895**
Tony Blanco				
Fixed remuneration	400,000	400,000	400,000	400,000
Variable annual remuneration	36,180	35,200	N/D	36,180
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Remuneration[1]	-	-	-	-
Benefits in kind[2]	15,499	15,499	3,182	3,182
Total	**451,679**	**450,699**	**N/D**	**439,362**
Anne-Laure Bourn[3]				
Fixed remuneration	330,000	330,000	330,000	330,000
Variable annual remuneration	152,034	150,796	N/D	152,034
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Remuneration[1]	-	-	-	-
Benefits in kind[2]	4,471	4,471	4,470	4,470
Total	**486,505**	**485,267**	**N/D**	**486,504**

(in euros)	2019 Amounts payable for the financial year	2019 Amounts paid during the financial year	2020 Amounts payable for the financial year	2020 Amounts paid during the financial year
Philippe Bajou[3]				
Fixed remuneration	-	-	362,500	362,500
Variable annual remuneration	-	-	N/D	183,152
Long-term variable remuneration	-	-	-	-
Termination benefit	-	-	-	-
Remuneration[1]	-	-	-	-
Benefits in kind[2]	-	-	4,364	4,364
Total	**-**	**-**	**N/D**	**550,016**
EXECUTIVE BOARD TOTAL	**1,860,377**	**1,857,157**	**N/D**	**2,431 912**

(1) Members of the Executive Board do not receive the remuneration awarded to them for their services on the Boards of La Banque Postale Group companies.

(2) For Philippe Heim and Rémy Weber, benefits in kind correspond to a company car and the communication bonus. For Marc Batave and Tony Blanco, benefits in kind correspond to a company car in 2020 and a company car and senior executive unemployment insurance (GSC) in 2019. Benefits in kind correspond for Anne-Laure Bourn to a company car and the communication bonus, and for Philippe Bajou, to a company car, the communication bonus and a free credit card.

(3) Anne-Laure Bourn has been a member of the Executive Board since 25 May 2016. Philippe Bajou has been a member of the Executive Board since 3 August 2020. Both of them are paid remuneration exclusively 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 – Yes	Employment contract with La Banque Postale – No	Supplementary pension plan – Yes	Supplementary pension plan – No	Compensation payable or that may be payable for loss of office or for a change of position – Yes	Compensation payable or that may be payable for loss of office or for a change of position – No	Non-compete indemnity – Yes	Non-compete indemnity – No
Philippe Heim Chairman of the Executive Board since 1 September 2020		x		x	x			x
Rémy Weber Chairman of the Executive Board from 15 October 2013 to 3 August 2020		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 6 September 2017		x		x		x		x
Philippe Bajou Member of the Executive Board since 3 August 2020		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 benefits were awarded to any Executive Board members for loss of office or a change of position during 2019 or 2020.

Supplementary pension arrangements made for the benefit of Executive Board members

As of 31 December 2020, La Banque Postale had made no supplementary pension arrangements for Executive Board members.

Remuneration of the members of the General Management Committee

In 2020, the total gross remuneration (including the variable portion) paid to the members of the General Management Committee, excluding members of the Executive Board, amounted to €8,211,127.

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 receive termination pay, valued at a total of €1,196,762.

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 Remuneration Committee prepared the work of the Supervisory Board, which then decided on the remuneration policy for regulated employees proposed by the Executive Board.

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

Professionals affected at La Banque Postale

Pursuant to Article L. 511-71 of the French Monetary and Financial Code (*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.

In application of European Directive no. 2013/36/EU (Articles 92 to 95), as transposed into the French Monetary and Financial Code (sub-section 3 – Articles L. 511-71 *et seq.*) and Delegated Regulation (EU) no. 604/2014 of the European Commission, La Banque Postale identifies the categories of employees whose professional activities have a material impact on an institution's risk profile. The assessment is based on the 15 qualitative criteria and 3 quantitative criteria defined in Delegated Regulation (EU) no. 604/2014.

Within La Banque Postale, the professionals concerned by rules on the remuneration policy and practices of credit institutions in 2020 are:

- Professionals identified based on their position within La Banque Postale S.A.:
  - members of the Executive Board and Executive Committee;
  - salaried members of the Supervisory Board;
  - members of the General Management Committee;
  - the directors responsible for the three control functions (Risk Management & Permanent Control, Compliance and Internal Audit);
  - the directors responsible for the corporate functions (Finance, Legal, Tax, Human Resources, Remuneration Policy, Information Systems, Budget Control, Economic Research);
  - employees reporting directly to the directors responsible for Risk Management & Permanent Control, Compliance and Internal Audit;
  - employees responsible for a committee in change of managing the Group's operational risks.
- Professionals identified based on their position within significant business units:
  - corporate officers;
  - Executive Committee members or employees reporting directly to corporate officers;
  - employees responsible for permanent controls.
- Professionals identified based on their level of delegated authority:
  - employees authorised to enter into credit risk commitments representing more than 0.5% of their entity's Common Equity Tier One (CET1) and at least €5 million, or to structure such products, whose activities have a material impact on their entity's risk profile;
  - employees authorised to enter into market risk commitments representing more than 0.5% of their entity's Common Equity Tier One (CET1) or 5% of their entity's Value at Risk (VaR);
  - managers in charge of a team of employees who are not identified individually but are collectively and cumulatively authorised to enter into credit commitments representing more than 0.5% of their entity's Common Equity Tier One (CET1) and at least €5 million, or market risk commitments representing more than 0.5% of their entity's Common Equity Tier One (CET1) or 5% of their entity's Value at Risk (VaR);
  - employees authorised to approve or veto the launch of new products;
  - managers in charge of employees meeting any of the above criteria.
- Professionals identified based on their level of remuneration:
  - employees whose total gross remuneration for the previous year exceeded €500,000;
  - employees not meeting any of the above criteria whose total gross remuneration for the previous year placed them in their entity's top 0.3% of employees based on remuneration.

The remuneration principles implemented within La Banque Postale

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

The variable component takes into account the individual's contribution to the Group's business and earnings growth. The variable-to-fixed ratio is capped and strictly defined in the validation process. In addition, individual employees do not systematically receive a share of the total variable remuneration budget. Each employee's variable remuneration is determined by management based on a range of criteria covering:

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

In accordance with its values, La Banque Postale Group does not have any variable remuneration system based directly and exclusively on the achievement of quantified objectives. Quantitative performance objectives are systematically linked to qualitative and behavioural objectives. In addition, individual performance criteria take into account all the potential risk exposures of the Group entity concerned. They promote the protection of customers' interests by encouraging ethical

behaviours in line with the Group's code of conduct or the regulations governing its businesses.

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.

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.

Payment of variable remuneration is deferred on the basis described below, for any professional concerned within La Banque Postale whose variable remuneration exceeds €100,000.

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.

Opinion on the components of the remuneration of employees whose professional activities have a material impact on the Company's risk profile

In accordance with Article L. 511-73 of the French Monetary and Financial Code, the General Meeting is consulted each year concerning the overall remuneration budget for all types of remuneration paid during the year just ended to the persons mentioned in Article L. 511-71 of the Code. These are mainly the persons who are effectively responsible for running the Company. The total remuneration budget for 2020 is €25,938,253 (including the remuneration of Anne-Laure Bourn and the portion of the remuneration of Rémy Weber and Philippe Heim paid by La Poste).

The Annual General Meeting of 17 June 2020 voted in favour of this total budget, which amounted to €8,228,340 for 2019.

As La Banque Postale's shares are not admitted to trading on a regulated market, it is no longer subject to the say-on-pay rule.

LA BANQUE POSTALE GROUP BUSINESS ACTIVITY AND RESULTS

3

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3.1 BUSINESS ENVIRONMENT AND HIGHLIGHTS

3.1.1 Economic and financial environment

Pandemic-driven economic developments

After the first cases of Covid-19 were reported in China at the start of 2020, the virus spread rapidly throughout the world and the vast majority of governments imposed national travel restrictions. These restrictions triggered the deepest global recession since the second world war.

Global GDP nosedived in the first quarter and, above all, in the second. However, once the health restrictions were lifted in late spring, economic activity recovered quickly in all countries, with a positive knock-on effect on macro-economic variables. The revival was reflected in unprecedented instantaneous growth rates. For example, French GDP staged an 18.7% recovery in the third quarter, resulting in average GDP for the year coming in at just 4% below the end-2019 level. Similarly, in the United States, GDP grew 7.5% in the third quarter to a level only 3.5% below its end-2019 peak. The Chinese economy expanded by 3.0% in the third quarter, on the back of an 11.6% increase in the second quarter, completely offsetting the recession observed at the beginning of the year when the epidemic was at its worst. The number of new Covid-19 cases was kept very low after the first wave, enabling the authorities to avoid re-introducing health restrictions. As a result, China was the only country to increase its GDP in 2020, recording growth of 2.3%.

In Europe, and to a lesser extent in the United States, the economic rebound was led by consumer spending. In China, it was initially export-led, generating a record trade surplus.

The summer months brought a measure of relief before the second wave of Covid-19 infections hit in the latter part of the year. Faced with a growing number of cases, many European governments reintroduced a raft of restrictions with varying effects on their economies. The retail and leisure industries were the hardest hit, along with certain other service industries. The manufacturing sector fared better than during the first wave, thanks mainly to the more buoyant international environment, with China leading the way and the United States imposing less severe health restrictions despite the sharp rise in the number of Covid-19 cases.

Activist economic policies

Governments responded to the severity of the Covid-19 crisis by launching activist economic policies. They lost no time in adopting fiscal stimulus measures during the spring, in a bid to preserve the production system and jobs. In Europe, vast amounts were spent on furlough and government-backed loan schemes. Across the Atlantic, an initial series of measures was launched in March to prop up household incomes (with cheques sent out to part of the population and an increase in unemployment benefits) and support businesses and municipalities (through deferred payment loans). Following on from this initial support, governments launched plans to kick-start their economies and sustain long-term growth. In late July, the EU countries agreed on a €750 billion recovery plan, comprising €360 billion in loans and €390 billion in grants. The European Commission will turn to the financial markets to fund the plan, launching the first ever bond issues in the name of the European Union.

Monetary policies were equally activist. Initially, positive central bank rates were slashed, with the Bank of England and US Federal Reserve rates quickly lowered to zero. In addition, asset purchases were stepped up to drive down interest rates on the longest dated bonds. At the same time, the US Federal Reserve broke with tradition and began setting an explicit medium-term inflation target. The current target of 2% should enable the Federal Reserve to keep its main interest rates very low even if this target is exceeded. The European Central Bank (ECB) also adopted new tools, such as the Pandemic Emergency Purchase Programme (*PEPP*), allowing it to maintain a flexible monetary policy and keep interest rates very low. It also extended its long-term loans programme for commercial banks.

Economic recovery plans drove increases in government debt throughout the world, apparently without causing investors to question whether these levels of debt are sustainable, if the narrower spreads observed between the various sovereign issuers (especially in the euro zone) are anything to go by. The explanation probably lies in the fact that, since the beginning of the crisis, the central banks have demonstrated their willingness to act as the buyer of last resort for a long time to come.

A new lockdown in France after the third-quarter rebound

Following the 5.9% fall in GDP in the first quarter and the 13.8% drop in the second, the gradual lifting of health restrictions helped the French economy to stage a vigorous recovery.

However, the rise in new Covid-19 cases observed in the autumn forced the government to re-impose tighter restrictions. A curfew was introduced in October, followed by a full lockdown at the end of the month. The impact of these new restrictions was uneven, depending on the sector. The loss of GDP from a typical week's activity (compared to the normal pre-Covid level) was around 12% in November, versus 4% in October and 31% in April. As a result, a new fall in GDP was observed in the fourth quarter. Over the full year, the decline was 8.3%.

After deploying a set of measures designed to protect the economy from further damage, the government announced a €100 billion recovery plan in September (with 40% of the cost covered by the European plan) plus additional measures when the country went back into lockdown in early November.

Oil prices heavily exposed to the development of the pandemic

After falling sharply in April and rebounding in the following months, the Brent oil price hovered between US$40 and US$45 per barrel during the summer. Restoring balance to the market turned out to be more difficult than expected, despite OPEC+ members (OPEC plus Russia in particular) adhering to the output limits established in May. At the end of the year, the OPEC+ members agreed to increase their output slightly in early 2021. The early-November announcement that the first Covid-19 vaccines were on the way created the prospect of an improved economic outlook, leading to a more dynamic oil market. The oil price picked up on this news, rising to over US$50 at the end of the year.

Depressed energy prices kept euro zone inflation at a very low level, with consumer prices contracting by 0.3% in December 2020 compared to the year-earlier period. Core inflation (excluding energy and food products) was also very low (at 0.2% in December versus the year-earlier period). This was due to the deflationary

effects of under-utilised manufacturing capacity and the deteriorating jobs market. In addition, initial fears that pandemic-related shortages would drive up inflation turned out to be unfounded. However, there has been in increase in certain commodity prices since the summer (mainly metals prices), fuelled by the revival of the Chinese economy, and manufacturers have been experiencing rises in input costs in recent months.

Continued stock market volatility

The US and European stock markets lost 20% to 30% in the second quarter, but have since staged a strong recovery, supported by massive fiscal stimulus measures and central bank commitments to apply very loose monetary policies for a long time to come. The magnitude of the recovery varied considerably depending on the region. The main American stock market indices set new records, supported by the impressive performance of technology stocks compared to their March low. For example, the Nasdaq gained 44% over the year. European indices struggled to come close to these performances and not all of them managed to make up the ground lost in the second quarter. For example, the CAC 40 ended the year down 7% compared with end-2019.

Central bank policies keeping interest rates very low

Government bond rates remained very low, reflecting the central banks' monetary policies and especially their asset purchase programmes. Added to this, the uncertain economic and financial environment made investors more risk averse and encouraged them to invest in sovereign debt. Italy's 10-year government bond rate reached a record low of just over 0.50% at the end of December, while the 10-year Bund and OAT rates settled in negative territory (at around -0.55% and -0.35% respectively at end-December). By contrast, in the United States, the 10-year T-notes rate increased in the fourth quarter, supported by Joe Biden's expansionist programme and the imminent arrival of a Covid-19 vaccine.

Euro zone interbank offered rates declined slightly in the second part of the year. The Eonia, which is pegged to the deposit facility rate, was reduced by 2 bps to an average -0.47% in December. The 3-month Euribor ended the year at -0.55%, reflecting limited downward pressure from the ECB's announcements in December (increase and extension of the PEPP, prolongation of TLTRO III).

The euro gained against the dollar, while emerging currencies lagged behind

The euro gained 9% against the dollar during the year, recovering to its 2018 level of US$1.22. The gain was partly due to the narrower interest rate spreads between the United States and the euro zone, attributable to the central banks' monetary policies. The ECB nevertheless expressed concern that a strong euro could delay the European recovery and make it more difficult to meet the bank's inflation target.

Sterling was weakened by the deteriorating economic and health situation in the United Kingdom, stabilising against the euro at around £0.90 following the last-minute signature of the EU-UK Trade and Cooperation Agreement in December, the last stage in the Brexit process.

The yuan strengthened against the dollar. Supported by a robust economic recovery and spared a second Covid-19 wave, the Chinese currency reached a 28-month high of CNY 6.59 against the greenback in November.

3.1.2 2020 highlights

Deployment of an integrated bancassurance model

2020 was a unique year for La Banque Postale, shaped by the integration of CNP Assurances and other transactions that redefined its structure, and also by the Covid-19 health and economic crisis.

In a challenging environment, the Group leveraged its more diversified and balanced business model to deliver net banking income down by just 2.6%(1) at €7,724 million, of which the Insurance business contributed 33.4% in 2020. Restated to exclude first-time consolidation entries and the contribution of CNP Assurances, net banking income amounted to €5,415 million, a decline of 4.1%, or €232 million, versus 2019 including the estimated €212 million negative Covid-19 impact.

La Banque Postale's attributable net profit for the year was €4.2 billion as reported and €738 million excluding the effect of CNP Assurances first-time consolidation entries, down 5.4% (€42 million) compared with 2019.

Cost of risk was €657 million (vs €178 million in 2019). The increase, which included €455 million corresponding to the recognition of Covid-19-related default risks(2), reflected the Group's conservative provisioning policy in the Covid-19 environment and the prospective approach to credit losses imposed by the new accounting standards.

The expanded group has total assets of €737 billion and a particularly robust financial structure, with a CET1 ratio of 20.4% and a total capital ratio of 24.5%.

(1) Based on the historical structure excluding changes in scope (€5,435 million) and excluding the effect of the PEL/CEL provision.

(2) Unaudited data.

Transactions that redefined the Group's structure in 2020, creating a new configuration

The integration of CNP Assurances effective 4 March 2020 was accompanied by significant improvements in governance to **reflect the new integrated bancassurer business model**. CNP Assurances' Chief Executive Officer has joined La Banque Postale's Executive Committee and its corporate functions (finance, risk management, audit, legal affairs and compliance) have been integrated with those of La Banque Postale, with CNP Assurances' Risk, Compliance and Internal Audit directors now reporting on a dotted-line basis to their counterparts at La Banque Postale.

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 opened a new chapter in the history of its subsidiary La Banque Postale Asset Management (LBP AM). Building on its pioneering role in promoting socially-responsible investing, LBP AM has become a multi-specialist conviction management firm focused exclusively on sustainable finance.

The fixed-income and insurance-related asset management businesses of La Banque Postale and Natixis were combined on 31 October 2020 in a joint venture named Ostrum AM, creating a European leader with some €450 billion in assets under management for large institutional clients. Ostrum AM is 45%-owned by LBP AM and 55%-owned by Natixis IM.

At the end of 2020, La Banque Postale completed the sale of its 5% interest in the capital of SFIL to Caisse des Dépôts, which has become SFIL's reference shareholder. In parallel, the Group renewed in advance its partnership with SFIL through to the end of 2026, for the distribution of medium- and long-term loans to local public agencies and public hospitals.

Lastly, **CNP Assurances consolidated its multi-partner model in Brazil and other international markets**. A new 25-year exclusive distribution agreement was signed on 30 December with Caixa Econômica Federal (CEF, Brazil's public bank and one of the top five banks in Latin America), covering the distribution of death & disability insurance, consumer finance term creditor insurance and retirement products (*vida, prestamista, previdência*) through the CEF network. A memorandum of understanding has been signed enabling a 20-year exclusive distribution agreement covering *consórcio* products distributed by the CEF network, mainly for home and car purchases.

A dynamic sales performance despite the unfavourable environment

In an environment shaped by the Covid-19 health and economic crisis leading to two periods of lockdown, **the Retail Banking business reported outstanding loans up 1.7% and customer savings up 4.6%**. The Retail Banking teams kept up their efforts to deploy and develop the multi-channel approach in order to better serve customers during the Covid-19 crisis. Multi-channel access to banking services was strengthened throughout 2020. In the period from the start of the first lockdown in early March until the year-end, there were over 3 million visitors each day to the site and the app, and customer service lines processed an average of 50,000 calls per day, with the number of calls peaking at 100,000.

Reflecting its determination to continue offering customers a high-quality service in this exceptional environment, **La Banque Postale adjusted its organisation to encourage home working and remote banking services, without having to furlough any of the 25,000 affected employees**.

Ma French Bank, La Banque Postale's fully-mobile bank launched in late July 2019, confirmed its success with 280,000 customers signed up by the end of 2020. Of these, 64% were signed up by the La Poste distribution network, which has been extended since 30 June to include 3,000 post offices; 60% are in the under-38 age group and 75% did not previously have a current account with La Banque Postale. Ma French Bank has recently expanded its product range with the launch of the WeStart account designed for 12 to 17-year olds.

In last year's difficult environment, **the private banking subsidiary BPE** reported sharply higher profits, with net banking income up 9% and net profit up 18%[1]. This performance was driven by 61% growth in net new money to €1.1 billion, a 14% increase in managed savings to €5.7 billion and a 12.5% rise in total outstanding loans to €3.9 billion. 2020 was also the first full year of premium income from Emeraude, a life insurance product developed by CNP Assurances specifically for BPE's wealth management customers. As of end-2020, BPE service desks had been opened in 50 post offices.

The Corporate Loan business remained strong, with €26 billion in loans originated during the year (excluding factoring), including 6,256 government-backed loans for a total of over €1 billion. These originations lifted outstanding corporate loans (excluding factoring) by 16.8% compared with 2019. New Local Public Sector loans amounted to €5.7 billion, an increase of €1.1 billion compared with the previous year's originations (excluding outstanding loans transferred to CAFFIL).

This was the backdrop to La Banque Postale's new strategic plan "La Banque Postale 2030: shaping a Just Transition for our customers", supporting the Group's ambition to become France's favourite bank:

- **by positioning La Banque Postale as a leader in customer experience;**
- **by highlighting its unique role as a community bancassurer;**
- **by nurturing its employees' engagement, the core strength of the strategic plan.**

(1) Statutory accounts of the entity.

3.2 2020 BUSINESS ACTIVITY AND RESULTS

Consolidated Income Statement

(in € millions)

Main income statement items	2020[1]	2019	%
Net banking income	**7,724**	**5,647**	***+36.8***
Net banking income excl. effect of PEL/CEL provision	7,745	5,579	*+38.8*
Operating expenses	(5,711)	(4,692)	*+21.7*
Gross operating profit	**2,013**	**955**	***x2.1***
Cost of risk	(674)	(178)	*x3.8*
Operating profit	**1,339**	**777**	***+72.4***
Pre-tax profit	**5,107**	**1,059**	***n.m.***
Income tax	(419)	(273)	*+53.5*
Attributable net profit	**4,155**	**780**	*n.m.*
Cost/income ratio (%)	70.2[2]	83.8	

The 2020 results delivered by La Banque Postale in an environment defined by the Covid-19 crisis and persistently low – and in some cases negative – interest rates were shaped by many non-recurring items, with **attributable net profit** of €4.15 billion reflecting:

- the €3.6 billion impact of the first-time consolidation of CNP Assurances, including recognition of badwill, derecognition of the previously equity-accounted CNP Assurances shares and the €0.2 billion impact of CNP Assurances fair value adjustments arising on the purchase price allocation (PPA);
- the change in consolidation scope resulting from the increase in the Group's interest in CNP Assurances from 20.2% to 62.8%, for €484 million (excluding badwill and PPA);
- the impact of the Covid-19 crisis, which reduced the Group's operating profit by an estimated €807 million[3].

Excluding the non-recurring impact of CNP Assurances first-time consolidation entries, underlying attributable net profit for 2020 was close to that for the previous year, at €738 million versus €780 million, and the cost/income ratio was 70.2% (excluding PPA adjustments).

Net banking income rose by 36.8% to €7,724 million in 2020. Excluding the change in consolidation scope concerning CNP Assurances and the effect of the PEL/CEL provision, net banking income contracted by 2.6%, mainly due to the low interest rate environment.

Operating expenses, restated for provisions recognized on non-current assets in view of their retirement and for non-recurring levies, were more or less stable at €4,648 million.

The higher cost of risk was mainly due to the Covid-19 effect. Cost of risk rose to €674 million in 2020 from €178 million the previous year. The increase was mainly due to the effects of the Covid-19 crisis, estimated at €455 million[3]. The effect of the change in consolidation scope concerning CNP Assurances amounted to €67 million. The cost of risk/outstanding loans ratio for the commercial banking business stood at 46 bps.

La Banque Postale's conservative provisioning policy in line with the requirements of IFRS 9 was also a factor behind the increased cost of risk. The quality of La Banque Postale's loan portfolio was highlighted by the Covid-19 crisis, with only €49 million of the €674 million total cost of risk due to the classification of impaired loans in Bucket 3. At 31 December 2020, the ratio of non-performing loans to total outstanding loans was a very low 0.7%.

(1) Including CNP Assurances by the equity method in January and February. Control of CNP Assurances was acquired on 4 March 2020 and it has therefore been fully consolidated over the last ten months of the period only.

(2) Excluding PPA adjustments.

(3) Unaudited data.

3.3 ACTIVITIES AND RESULTS BY BUSINESS LINE

3.3.1 Retail Banking

(in € millions)	2020 underlying	2019 underlying	%
Net banking income excl. PEL/CEL effect	**5,002**	**5,173**	***-3.3***
Operating expenses excl. non-recurring items	(4,422)	(4,418)	*+0.1*
Gross operating profit - adjusted	**580**	**755**	***-23.2***
Cost of risk	(607)	(178)	*n.m.*
Operating profit/(loss) - adjusted	**(27)**	**577**	***n.m.***

Resilient financial results

Retail Banking net banking income amounted to €4,981 million as reported, down 5.0% compared with 2019. Restated for the PEL/CEL provision, **underlying net banking income was down by 3.3%** at €5,002 million. The decline in net interest margin due to the low interest rate environment was partially offset by 4% growth in fee and commission income (reflecting higher financial fees and commissions, development of diversified businesses, and ongoing pricing protections in line with the Group's mission as a community bank).

Operating expenses, restated for exceptional decommissioning of non-current assets and for non-recurring levies, **were stable** at €4,422 million (up 0.1%).

After restating operating profit for the above items (and excluding the contributions of the non-life insurance and asset management subsidiaries), the Retail Banking Division ended the year with an underlying operating loss of €27 million.

In 2020, the Group pursued its **operational excellence programme** designed to improve customer service quality and achieve further sustainable cost savings through faster digitisation of routine administrative transactions and customer information, and end-to-end process automation. A similar approach has been taken for the Cap Assurances programme developed as part of the integration of CNP Assurances, to upgrade front-to-back-office processes and accelerate their digitisation (selfcare and remote sales).

In an environment shaped by the Covid-19 health and economic crisis, including two lockdowns, Retail Banking outstanding loans rose by 1.7%, while savings deposits were up by 4.6%.

The 1.7% growth in Retail Banking outstanding loans to €70.6 billion included a 1.8% increase in home loans to €64.9 billion and a 0.9% dip in outstanding consumer finance to more than €5 billion. Consumer finance originations fell by 16.1% to €2.2 billion in a market that was severely affected by the first lockdown, before recovering to 2019 levels in the latter part of the year. Personal loans obtained online or via the remote platform remain at a high level and now represent 39% of total production.

Home loan originations for the year totalled €10.4 billion.

Sight deposits rose by 15.3% to €82 billion. The increase concerned sight deposits by both personal banking customers (up 12.3% to €69.5 billion) and businesses (up 35.4% to €12.5 billion).

Technical provisions for life insurance distributed by La Banque Postale and BPE networks dipped 1% to €125.4 billion. The life business was affected by the Covid-19 crisis, mainly in France with a €2.2 billion net outflow of savings (€3.1 billion net outflow from traditional savings contracts and a €0.8 billion net inflow to unit-linked contracts).

Livret A accounts benefited from the crisis-led increase in precautionary savings, with deposits rising 5% to €64.6 billion. In all, customer deposits in regulated savings accounts (Livret A, Livret d'Epargne Populaire and Livret Développement Durable et Solidaire accounts) rose by 4.8% to €79.5 billion.

Total customer deposits in savings accounts (on- and off-balance sheet products) grew by €15.1 billion or 4.6% over the year to €339.2 billion at 31 December 2020.

The Corporate Loan business remained strong

Corporate loan originations rose by 4.9% over the year to €39.6 billion, with the volume of factored invoices down by €0.4 billion at €13.8 billion.

The loan book continued to grow, with outstanding loans increasing by 12.5% year on year to represent €37.6 billion at 31 December 2020, including factored invoices of €5 billion, down 9.5%. The total breaks down as follows: €26.2 billion in loans to businesses, micro-enterprises and professionals (up 12.5%) and €11.5 billion in loans to local authorities and social landlords (up 12.3%).

In all, Banking Division outstanding loans increased by 5.2% to €108.2 billion.

Reconciliation of Retail Banking Division results, 2019 vs 2020

(in € millions)	2019 reported	Restatements	2019 underlying	2020 reported	Restatements	2020 underlying	%
Net banking income	**5,241**	**68**	**5,173**	**4,981**	**(21)**	**5,002**	***-3.3***
Operating expenses	(4,466)	(49)	(4,418)	(4,608)	(187)	(4,422)	*+0.1*
Gross operating profit	**775**	**19**	**755**	**373**	**(208)**	**580**	***-23.2***
Cost of risk	(178)		(178)	(607)	-	(607)	*n.m.*
Operating profit/(loss)	**596**	**19**	**577**	**(234)**	**(208)**	**(27)**	*n.m.*

Underlying management reporting indicators are calculated excluding the effect of the Home Savings Plan (PEL/CEL) provision, the tax effect of Single Resolution Fund (FRU)/Fonds de Garantie des Dépôts et de Résolution (FGDR) contributions and the exceptional decommissioning of IT assets.

3

3.3.2 Insurance

(in € millions)	2020[1] reported	2020[2] excl. CNP Assurances	2019 reported
Net banking income	**2,582**	**273**	**251**
Operating expenses	(1,005)	(128)	(133)
Gross operating profit	**1,577**	**145**	**118**
Cost of risk	(67)	(0)	(0)
Operating profit	**1,510**	**145**	**118**

Following the first-time consolidation of CNP Assurances, the Insurance Division's net banking income represented €2,582 million in 2020 (including the €165 million full-year Covid-19 impact[3]).

Life insurance and Term Creditor Insurance (CNP Assurances excluding Personal risk Insurance)

Life Insurance and Term Creditor Insurance premiums totalled €24,731 million.

Breakdown of Life Insurance and Term Creditor Insurance premium income (full-year basis)

(in € millions)	2020	France	Europe *(excl. France)*	Latin America
Savings/Pensions	**20,680**	**12,220**	**4,084**	**4,376**
o/w Traditional savings	9,966	8,973	953	39
o/w Unit-linked	10,714	3,247	3,131	4,337
Term Creditor Insurance	**4,051**	**2,668**	**830**	**553**
TOTAL PREMIUM INCOME	**24,731**	**14,887**	**4,914**	**4,929**

Savings/Pensions premium income amounted to €20.7 billion, with 52% from unit-linked contracts and 48% from traditional savings contracts.

In France, Savings/Pensions premium income was affected by the Covid-19 impact on the distribution networks 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, increasing from 20% to 27%. Savings/Pensions net new money generated by all of CNP Assurances' distribution networks comprised a €1.9 billion net inflow to unit-linked contracts and a €7.2 billion net outflow from traditional products.

In the *Europe excluding France* region, premium income was eroded by the effects of the Covid-19 crisis in the first half but held up well over the year, thanks in particular to a dynamic marketing performance in Italy leading to very good unit-linked sales.

In *Latin America*, the business recovery that began in mid-June gathered momentum in the second half. The recovery was strong enough to fully offset the impact of the Covid-19 crisis on performance in the early part of the year.

Term Creditor Insurance premiums totalled €4.1 billion.

(1) 2020 figures include both the Life and Non-Life businesses.

(2) 2020 excluding CNP Assurances = 2019 scope for the Non-Life subsidiaries.

(3) Unaudited data.

Property & Casualty, Personal risk Insurance (excluding CNP Assurances)

Premium income from these businesses came to €970 million in 2020. The insurance book was stable, at 4.6 million policies.

Property & Casualty earned premiums rose by 12.7% to €399 million, after taking into account the impact of policyholder support measures during lockdown. In line with its community 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 community 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; in 2020, their combined ratio net of reinsurance stood at 89.1%, representing a 2.3-point improvement over the previous year.

3.3.3 Asset Management

(in € millions)	2020[1]	2019	%
Net banking income	**161**	**155**	*+3.6*
Operating expenses	(98)	(93)	*+5.3*
Gross operating profit	**63**	**63**	*+1.1*
Cost of risk	0	0	*n.m.*
Operating profit	**63**	**63**	*+1.1*

Following the transfer of the fixed-income and insurance-related asset management businesses of LBP AM and Natixis to the Ostrum AM joint venture, the Asset Management Division of La Banque Postale now comprises LBP AM, a multi-specialist conviction management firm, and LBP AM's 45% stake in Ostrum AM, a leading fixed-income and insurance-related asset management firm with some €450 billion in managed assets, accounted for by the equity method from 31 October 2021, and the 45% stake held in equity-accounted AEW.

The Asset Management Division's net banking income rose by 3.6% compared with 2019, reflecting the favourable market effect which more than offset a small outflow of funds during the year.

(1) The 2020 figures include the fixed-income and insurance-related asset management businesses transferred to Ostrum AM on 31 October 2020 for the first ten months of the year.

3.3.4 Financial structure

Key indicators

Indicator	31 December 2020	31 December 2019	Change
BALANCE SHEET			
Total assets (in € billions)	737	272	x2.7
CAPITAL			
Total regulatory own funds (in € billions)	21.0	12.4	+68.5%
Common Equity Tier 1 (CET1) ratio	20.4%	12.2%	+8.2 pts
Leverage ratio(1)	6.9%	4.5%	+2.4 pts
ROE(2)	4.4%(3)	8.4%	n.m.
RONE(4)	6.3%	7.6%	-1.3 pts
LIQUIDITY			
Loan-to-deposit ratio (LDR)	83.6%	90.0%	-6.4 pts
Liquidity coverage ratio (LCR)	179%	153%	+26 pts

Total assets at 31 December 2020 amounted to €737 billion compared with €272 billion at 31 December 2019. The increase reflected the first-time consolidation of CNP Assurances.

Note that the statutory balance sheet reflects the adoption at 31 December 2020 of French Regulation ANC 2020-10 on the presentation of the financial statements of banking institutions, the effects of which were: i) an approximately €67 billion reduction in the statutory balance sheet corresponding to the netting of customer savings centralised at CDC level in assets and liabilities, ii) based on a constant calculation method, a reduction in contributions to the Single Resolution Fund (SRF) for 2022 and 2023 (the contribution for year Y is calculated based on the Y-2 balance sheet).

La Banque Postale has a robust financial structure, with total regulatory own funds of €21 billion at 31 December 2020:

- its **estimated Common Equity Tier 1 (CET1) ratio at that date was 20.4%,** an 8.2-point increase from 31 December 2019 that can be explained primarily as follows: (i) +7.8 points corresponding to the impact of the first-time consolidation of CNP Assurances, including badwill; (ii) +0.5 points corresponding to the impact on regulatory own funds of adding back dividends due for 2019 that were not paid in 2020; (iii) +0.7 points corresponding to net profit for the year (excluding badwill) credited to retained earnings, net of the 2020 dividend(5); and (iv) -0.4 points corresponding to organic growth in risk-weighted assets;
- the **Tier 1 ratio was 21.3%**;
- the total capital ratio was 24.5%, up 8.3 points from 31 December 2019;
- **the leverage ratio, excluding savings funds centralised at the level of CDC, stood at 6.9%**.

Based on the above, La Banque Postale's RONE was 6.3% at 31 December 2020.

Exposure to liquidity risk is low, with a loan-to-deposit ratio of 84% attesting to the Group's strong self-financing capacity, and a liquidity coverage ratio of 179% versus a minimum ratio requirement of 100%.

La Banque Postale enjoyed good credit ratings at 31 December 2020, reflecting its financial strength and its rigorous risk management:

	Standard & Poor's	Fitch
Long-term ratings	A	A-
Outlook	Stable	Stable
Last updated	27 October 2020	15 April 2020
Short-term ratings	A-1	F1

During 2020, Fitch reaffirmed La Banque Postale's short- and long-term ratings of A-/F1 with a Stable outlook. Standard & Poor's reaffirmed La Banque Postale's short- and long-term ratings of A/A-1 and lowered the outlook to Stable due to the environment created by the Covid-19 crisis.

To increase liabilities eligible for inclusion in the Minimum Requirement for Own Funds and Eligible Liabilities (MREL), **a €750 million Senior Non-Preferred Notes issue was carried out in the first half of the year** followed by a **€500 million Tier 2 Subordinated Notes issue in the second half**. These issues were placed on attractive market terms and were both more than three times oversubscribed, demonstrating once again investors' appreciation of La Banque Postale's credit quality.

CNP Assurances was also active in the debt capital market(6) during the year, carrying out a €750 million Tier 2 Subordinated Notes issue in the first half and a €500 million Tier 3 issue in December.

(1) Leverage ratio calculated by applying the May 2019 decision of the European Central Bank (excluding 50% of the centralised savings funds) was 6.1%.

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

(3) Excluding badwill and PPA.

(4) RONE = Attributable net profit/Average risk-weighted assets capitalised at 14%

(5) Total dividend of €171 million corresponding to 20 bps of the CET1 ratio, in line with the ECB's recommendation dated 15 December 2020 on dividend payments during the Covid-19 pandemic.

(6) Tiering based on capital requirements under Solvency II.

3.4 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet total stood at €737.2 billion at 31 December 2020, up €465.5 billion (2.7x) compared with 31 December 2019.

The main asset items in the balance sheet comprised:

- financial assets at fair value through profit or loss (€195.8 billion at 31 December 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 €146.9 billion;
- financial assets at fair value through other comprehensive income (€230.8 billion at 31 December 2020 versus €15.1 billion as reported at 31 December 2019). These include government paper and equivalents for €125.4 billion and bonds and other fixed-income securities for €105.0 billion;
- loans and advances to credit institutions at amortised cost (€114.5 billion at 31 December 2020 compared with €70.6 billion at 31 December 2019). This item chiefly comprises overnight deposits in an amount of €41.5 billion, and funds held in Livret A, Livret de Développement Durable et Solidaire (LDDS) and Livret d'Epargne Populaire (LEP) savings accounts centralised at the level of Caisse des Dépôts for €67.5 billion;
- loans and advances to customers at amortised cost (€125.3 billion at 31 December 2020 compared with €113.6 billion at 31 December 2019). This item mainly includes outstanding home loans, consumer loans and business loans (to companies, professionals and the local public sector);
- securities at amortised cost (€24.0 billion at 31 December 2020 versus €28.1 billion at 31 December 2019), consisting primarily of government paper and equivalents, bonds and other fixed income securities.

The main liability items in the balance sheet, apart from equity of €32.4 billion, are:

- insurance company technical reserves and deferred participation for €379.8 billion (versus €2.6 billion at 31 December 2019), corresponding mainly to insurance liabilities of €222.2 billion (of which life mathematical reserves for €209.9 billion) and financial liabilities with a discretionary participation feature for €112.4 billion (of which life mathematical reserves for €103.1 billion);
- customer deposits for €230.4 billion (versus €191.0 billion as reported at 31 December 2019). This item comprises demand deposits for €82.0 billion and regulated savings accounts for €119.5 billion (including €64.6 billion in Livret A accounts, €31.3 billion in PEL/CEL home savings accounts and €23.6 billion in other regulated savings accounts);
- liabilities due to credit institutions for €33.5 billion (versus €30.7 billion at 31 December 2019). This item mainly includes securities and other assets sold under collateralised repurchase agreements for €23.1 billion versus €25.4 billion at 31 December 2019;
- debt securities for €21.6 billion (versus €23.7 billion as reported at 31 December 2019);
- subordinated debt for €10.2 billion (versus €3.1 billion as reported at 31 December 2019).

La Banque Postale's ROA[1] was 0.56% at 31 December 2020.

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

3.5 ADDITIONAL INFORMATION

3.5.1 French Economic Modernisation Act (LME) disclosures – Suppliers' terms of payment

In application of Article D. 441-4 of the French Commercial Code (*Code de commerce*), information about supplier payments breaks down as follows at 31 December 2020:

(in €)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) TRADE PAYABLES SCHEDULE						
Number of invoices concerned	22	-	-	-	-	1,994
Total amount of invoices concerned including VAT	105,995	17,744,598	12,699,387	2,182,074	5,332,512	37,958,571
Percentage of total purchases for the year including VAT	0.00%	0.45%	0.32%	0.05%	0.13%	0.96%
Percentage of revenue for the year (specify: excl. or incl. VAT)	-	-	-	-	-	-
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNISED PAYABLES AND RECEIVABLES						
Number of invoices excluded	-	-	-	-	-	-
Total amount of invoices excluded (specify: excl. or incl. VAT)	-	-	-	-	-	-
(C) REFERENCE PAYMENT TERMS (CONTRACTUAL OR STATUTORY TERMS PURSUANT TO ARTICLE L. 441-6 OR L. 433-1 OF THE FRENCH COMMERCIAL CODE)						
Payment terms used to calculate past due payments	Contractual terms					

This information does not include bank data or related transactions.

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

At 31 December 2019, information about supplier payments breaks down as follows:

(in €)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) TRADE PAYABLES SCHEDULE						
Number of invoices concerned	53	-	-	-	-	5,656
Total amount of invoices concerned including VAT	688,944	4,870,748	2,614,606	2,042,148	4,145,666	13,673,168
Percentage of total amount of purchases for the year including VAT	0.02%	0.11%	0.06%	0.05%	0.10%	0.32%
Percentage of revenue for the year (specify: excl. or incl. VAT)	-	-	-	-	-	-
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNISED PAYABLES AND RECEIVABLES						
Number of invoices excluded	-	-	-	-	-	-
Total amount of invoices excluded (specify: excl. or incl. VAT)	-	-	-	-	-	-
(C) REFERENCE PAYMENT TERMS (CONTRACTUAL OR STATUTORY TERMS PURSUANT TO ARTICLE L. 441-6 OR L. 433-1 OF THE FRENCH COMMERCIAL CODE)						
Payment terms used to calculate past due payments	Contractual terms					

This information does not include bank data or related transactions.

3.5.2 Amount of non-tax-deductible expenses

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

3.5.3 Research and development, patents and licences

Research and development expenditure is not material.

3.5.4 Table of authorisations granted by the General Meeting of Shareholders and their use in 2020

General Meeting	Purpose of the authorisation given to the Executive Board	Delegation validity period	Limit	Use in 2020
None	None	None	None	None

3.5.5 La Banque Postale SA 2020 results and appropriation of 2020 profit

In 2020, La Banque Postale SA's net banking income was €3,985 million (compared to €4,409 million in 2019). The decrease was mainly due to:

- the €219 million reduction in investment income from subsidiaries and affiliates, in line with the ECB's recommendation on dividend payments during the Covid-19 pandemic;
- a €203 million decline in the net interest margin due to lower interest income on home loans for around €49 million, a reduction in investments, for around €56 million, and the change in PEL/CEL provision for €89 million;
- fee and commission income rose by €79 million, corresponding mainly to payment media fees. The increase in net income from trading portfolios – mainly reflecting improved profits on financial instruments – was offset by the impact of provisions on investment securities portfolios.

Operating expenses were stable (down 0.8%) at €3,992 million. Depreciation, amortisation and impairment increased by €141 million, corresponding mainly to accelerated amortisation of IT project costs.

The €270 million increase in cost of risk to €370 million, was mainly due to the Covid-19 crisis. It primarily reflects adjustments to risk parameters based on forward-looking estimates of Covid-19 risks.

La Banque Postale ended the year with an operating loss of €685 million versus a profit of €117 million in 2019. After taking into account net gains on fixed assets in the amount of €345 million, unchanged from 2019, and net income tax expense of €70 million, La Banque Postale SA reported a net loss of €410 million in 2020 compared to net profit of €289 million in 2019.

(in €)

Net loss for the year	**(409,951,292.70)**
- Allocation to the legal reserve	(0)
+ Retained earnings brought forward from prior year	1,198,641,774.38
TOTAL AVAILABLE FOR DISTRIBUTION	**788,690,481.68**

Proposed appropriation:

To the payment of a dividend	**171,058,487.37**
▸ To retained earnings	617,631,994.31
TOTAL	**788,690,481.68**

The proposed dividend is €2.13 for each of the 80,309,149 shares making up the share capital.

The dividend is eligible for the tax allowance provided for in Paragraph 3, sub-paragraph 2, of Article 158 of the French General Tax Code. It will be paid on 30 June 2021 at the latest.

Dividends paid over the past three years

Financial year	Number of shares	Total payout	Dividend per share
2017	35,186,153	€343,768,714.81	€9.77
2018	35,186,153	€326,527,499.84	€9.28
2019	80,309,149	-	-

3.5.6 Information about acquisitions in 2020 of interests in French companies representing at least 5% of their capital

More than 5%		
None		
More than 10%		
None		
More than 20%		
None		
More than 33.3%		
Listed company	CNP Assurances	SA
Unlisted company	La Banque Postale Assurances IARD	SA
More than 50%		
None		
More than 66.6%		
None		

3.5.7 Investments

La Banque Postale did not make any significant investments (in excess of €1 billion) in 2020 (or in 2019 or 2018).

3.5.8 Internal control

La Banque Postale has a governance framework which enables it to ensure compliance with its external obligations and its internal framework. The governance framework is based on a risk management system that consists of three lines of defence (operational business lines, the Group Risk Department and Compliance Department, and the Internal Audit Department) and constitutes the overall internal control framework. The Group must ensure that outsourced activities are included in the system, in accordance with the applicable regulations (Government order of 3 November 2014 and the European Banking Authority's February 2019 outsourcing guidelines – EBA/GL/2019/02).

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

Risk management and control are a Group responsibility and the Group risk map includes the subsidiaries' risks. Likewise, the results of the controls performed by the subsidiaries are included in the "Group" dashboard and the subsidiaries are covered by the Group Internal Audit Department's scope of control.

3.5.8.1 Internal control reference framework

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

- the French Monetary and Financial Code;
- Government order of 3 November 2014 on the additional supervision of financial conglomerates;

- Government order of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors licensed by the French banking and insurance supervisor (*Autorité de contrôle prudentiel et de résolution* - ACPR);
- Government order of 3 November 2014 on prudential supervision on a consolidated basis;
- EBA guidelines of September 2017 on internal governance (applicable since the beginning of July 2018);
- EBA outsourcing guidelines of February 2019 (applicable since September 2019);
- Government order no. 2015-378 of 2 April 2015 transposing into French law Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of insurance and reinsurance (Solvency II).

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

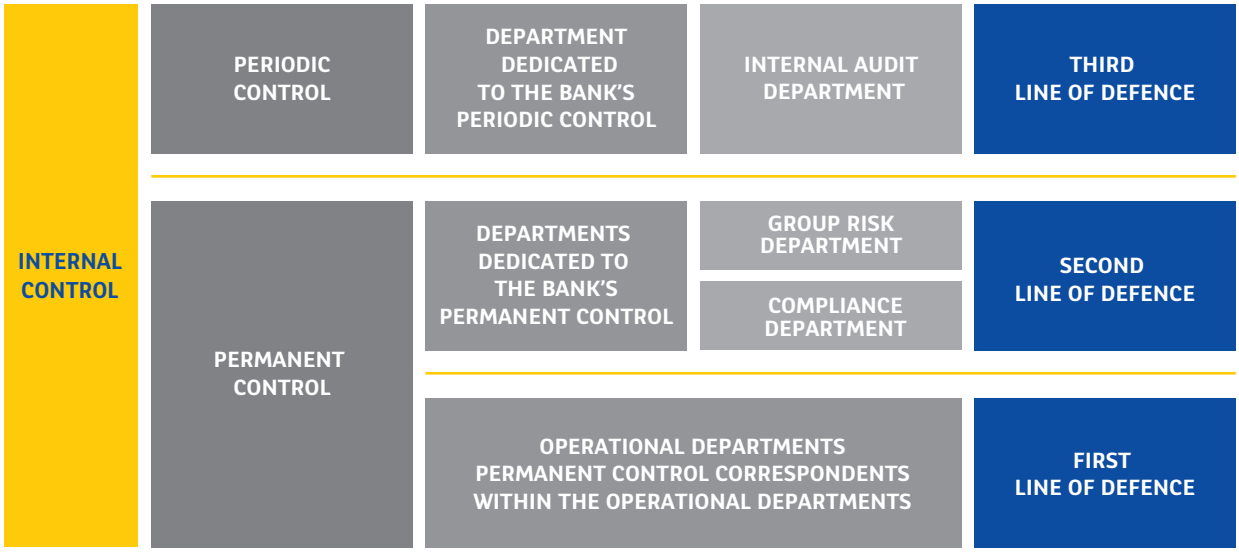
To ensure compliance at all times with the regulatory ratios (capital, liquidity and leverage), institutions must have systems to measure incurred and potential risks, as well as capital and liquidity management systems. La Banque Postale has been identified as a systemically important financial institution for France, and as such is concerned by this obligation.

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

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

3.5.8.2 Internal control framework

La Banque Postale uses the concept of lines of defence to represent its organisation in terms of risk management and best practices. The risk management system is based on three lines of defence that constitute the internal control framework.



FIRST LINE OF DEFENCE

The Group recognises that all commercial and support activities entail risks and that the most effective way to manage these risks is to ensure that the teams responsible for these activities are knowledgeable and accountable. For this reason, each Group entity has 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 addition, 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 operational teams 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. These departments are responsible for the permanent controls provided for in the French Government order of 3 November 2014 on internal control, and they also provide assurance that there is an appropriate, uniform framework in place for defining and improving risk management procedures.

The cornerstones of the internal control system are:

▸ The Risk Organisation Charter

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

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

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

The Risk Organisation Charter has been updated in order to reflect the changes arising from the integration of CNP Assurances into La Banque Postale Group in March 2020, and was approved by the Supervisory Board in April 2020.

The Permanent Control Organisation's Operations and Procedures Charter (OPC) defines how the Risk Organisation Charter applies to the permanent control system from an operational and organisational standpoint. The OPC's objective is to define how the different independent controllers responsible for performing level 2 controls in the business lines interact together. The OPC was validated in June by the Risk Management Rules Validation Committee chaired by the Group's Chief Risk Officer.

▸ Compliance Charter

The Compliance Charter, established by the Compliance Department, describes the role, responsibilities, organisation and resources deployed to ensure the Group's Compliance Department complies with all applicable rules and regulations in the areas of financial security, customer protection, ethics, AML/FT, and the prevention of fraud, bribery and corruption.

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

▸ Risk Organisation

The Group Risk Department is the key risk management function and leads the process. The risk function is referred to as the Risk Organisation across La Banque Postale Group. The Risk Organisation defines the systems and procedures constituting the Group's risk management framework and submits the framework to the Executive Board and Supervisory Board for their approval. It ensures that these systems and procedures are deployed and that actual risk exposures are compatible with the risk appetite defined and approved by the Supervisory Board as well as with the related exposure limits.

The Risk Organisation is responsible for strategic and business risks, intragroup risks, credit and counterparty risks, market risks, liquidity risks, banking book risks, operational risks, insurance underwriting risks and other risks. The Risk Organisation covers all the entities comprising the financial conglomerate within the Group's scope of consolidation, in accordance with the applicable national and industry-specific laws and regulations.

The Risk Organisation's role and responsibilities are as follows:

1. define and manage the risk management framework:
- map/identify the Group's risk exposures,
- establish a structured and documented risk appetite, supported by consistent exposure limits aligned with the size of the Group's business and a clear procedure for escalating any situations where the limits have been exceeded,
- define a clear, shared, activity-specific risk management system (acceptance, monitoring, management, mitigation),
- develop robust risk measurement methodologies and systems that are proportionate to the Group's actual risk exposures,
- establish a governance system with clear delegations of authority for reporting and decision-making purposes,
- anticipate new risks (regulatory watch, stress tests, new product processes, etc.),
- produce internal reports to manage and monitor risks on a consolidated basis,
- ensure that the system is rolled out consistently in each Group entity,
- ensure that risks are adequately covered (level of provisions, level of required capital, level of liquid assets, etc.);

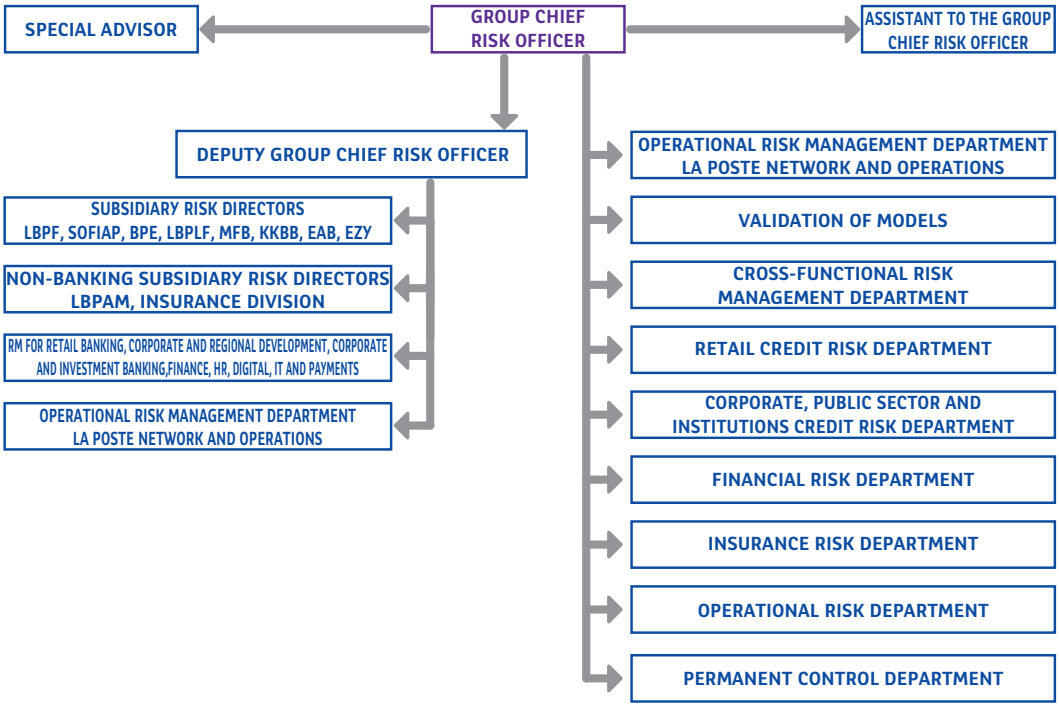
2. define and manage the permanent control framework:
- coordinate preparation of a consolidated permanent control plan linked to the risks identified in the risk map,
- develop robust risk control methodologies that are proportionate to the Group's actual risk exposures,
- make available, maintain and adapt the tools needed to perform the controls,
- lead implementation of the control programme in accordance with the principles of permanence, proportionality, independence and impartiality,
- ensure that appropriate corrective action is effectively taken to implement recommendations addressing cases where risk and compliance standards, procedures or policies have not been adhered to,
- coordinate consolidation of level 2 control results and monitor any corrective action for internal and external reporting purposes;

3. produce risk reports for external stakeholders:
- produce regulatory reports for the banking and insurance supervisor,
- contribute to the production of information on risks for inclusion in external reports (Universal Registration Document/Pillar 3 disclosures, Le Groupe La Poste risk disclosures, etc.);

4. warn the Group's governance bodies of any instances of non-compliance with the risk appetite or any identified weaknesses in the risk monitoring system;

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

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



▸ Compliance Organisation

The Group Compliance Department is responsible for defining the compliance risk management framework[1]. Compliance risk is defined in the Group's Compliance Charter. In 2020, implementation of the Executive Board's decision of 4 December 2019 to establish a formal Compliance Organisation led to the creation of three departments: the La Banque Postale Compliance Department, the La Poste Network Banking Services Compliance Department, and the Ethics Department. Working under the responsibility of the Group Compliance Department, the Compliance Organisation also manages KYC procedures and Regulatory Training programmes. In addition, the Compliance Organisation ensures that CNP Assurances and all of the other La Banque Postale Group subsidiaries comply with applicable laws and regulations.

The Group Compliance Department fulfils its responsibility for providing compliance advice regarding ethical issues, including the prevention of bribery and corruption, financial security, fraud prevention, customer protection and investment services, by:

- identifying and assessing compliance and reputation risks, and implementing risk management systems (procedures, controls, training, etc.);
- drafting a formal set of compliance procedures at Group level, rolled out to each business line and subsidiary where appropriate (Code of Ethics, Anti-corruption Code, Compliance section of the Internal Rules, Policies and Procedures);
- coordinating the whistleblowing system;
- expressing opinions and giving advice on compliance issues;
- training employees and raising their awareness of compliance issues;
- monitoring compliance controls in coordination with the Permanent Control Department;
- monitoring regulatory changes and execution of compliance projects.

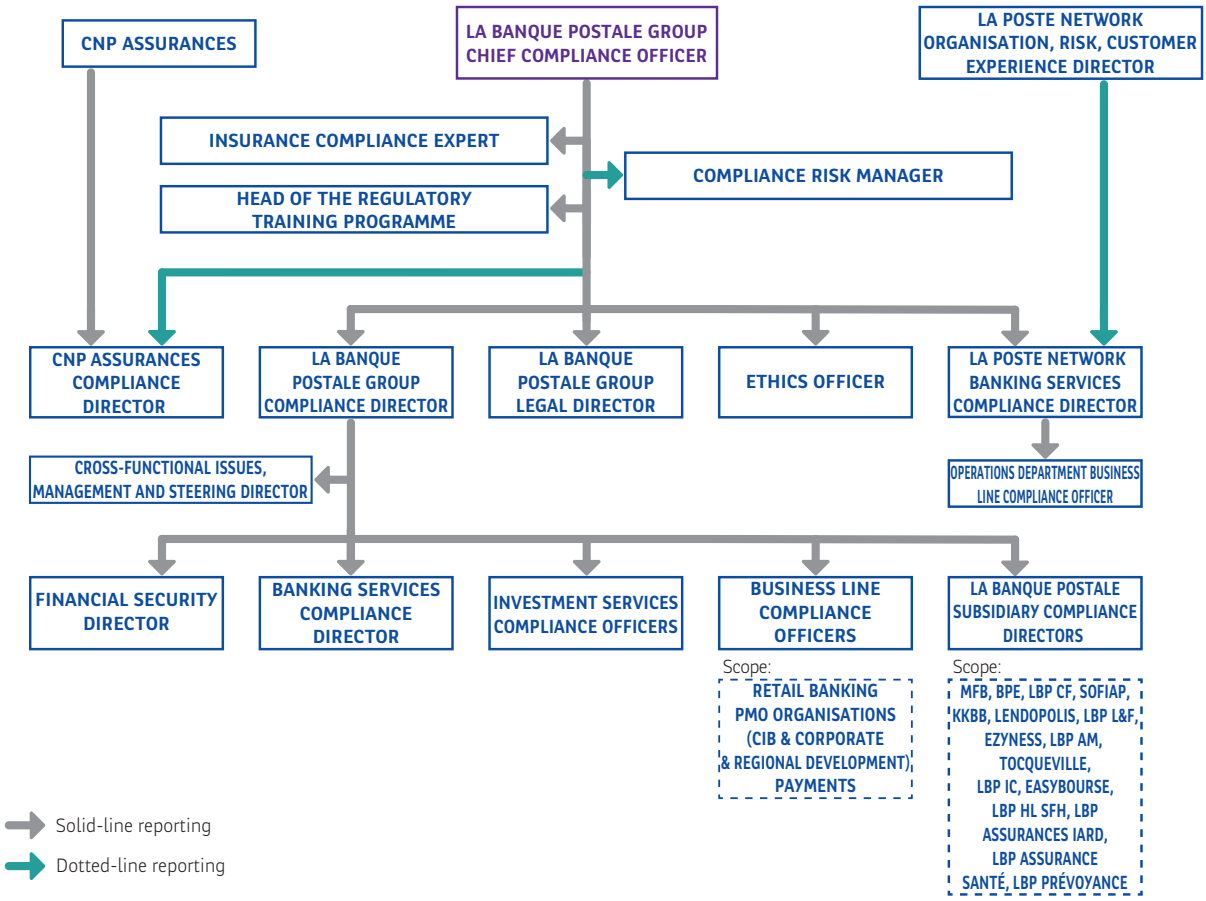
The Compliance Organisation ensures that operational compliance issues encountered by La Banque Postale SA's business lines, the La Poste Network and the subsidiaries are addressed without delay and resolved through the implementation of practical solutions.

The Compliance Organisation is based on:

- a central Compliance team at the level of La Banque Postale Group;
- close-at-hand support for the business lines, for the La Poste Network – with the creation of a compliance unit for the Network's banking services – and for the Group's subsidiaries;
- unified reporting relationships (including for the subsidiaries' Compliance Officers).

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

The Group Chief Compliance Officer is in charge of the Compliance Organisation, reporting to La Banque Postale's General Secretary, who is a member of the Executive Board.



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. The internal audit function is defined in the Government order of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors licensed by the ACPR.

The system is described in La Banque Postale's Periodic Controls Charter. The broad objectives defined by Internal Audit and validated by the Executive Board are as follows:

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

In accordance with Article 17 of the above Government order, the Internal Audit Department is responsible for obtaining assurance concerning:

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

To this end, the Internal Audit Department assesses:

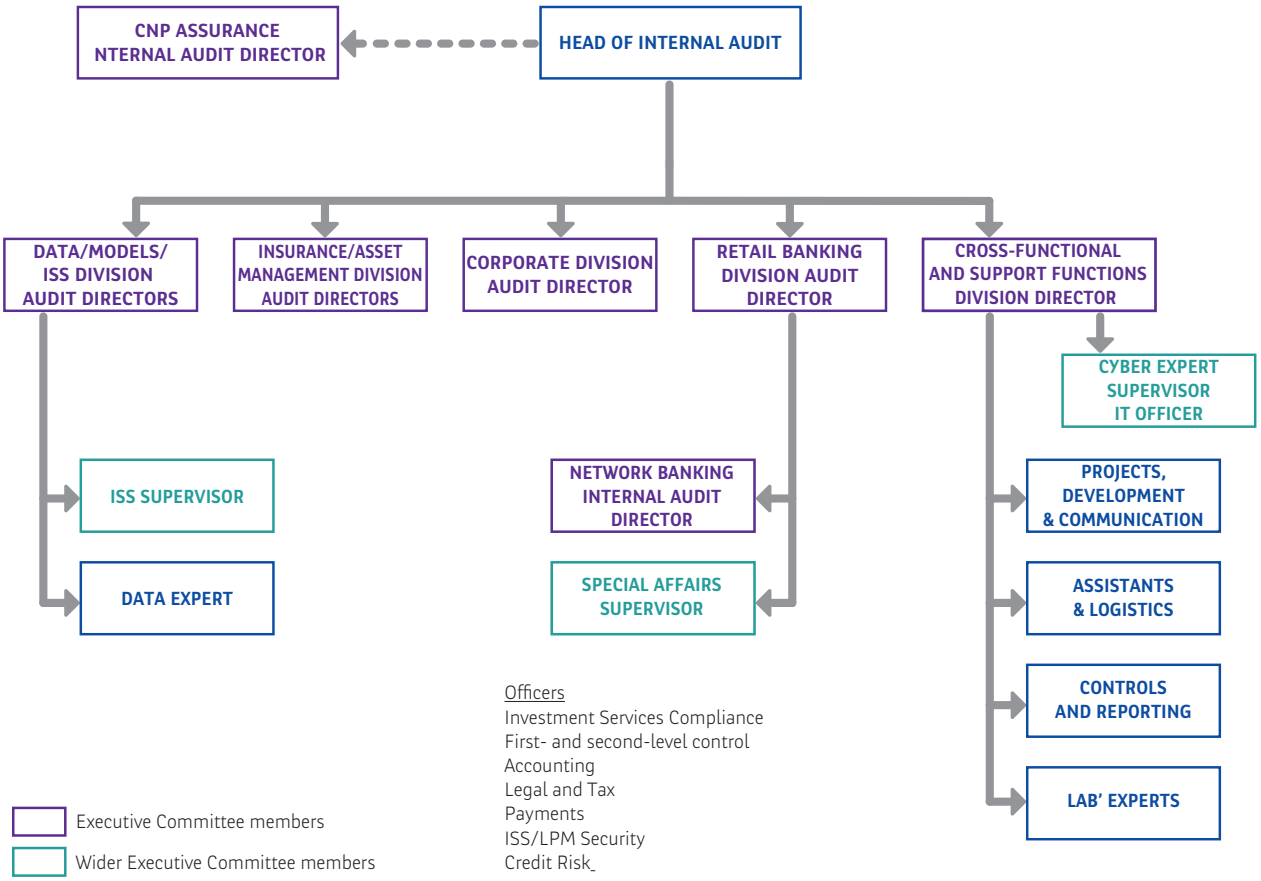
- risk management, as well as the legitimacy and compliance of La Banque Postale's transactions;
- La Banque Postale's operational efficiency and productivity in relation to its objectives;
- the systems deployed to ensure that customer service is of a high quality and is constantly improved.

The Internal Audit Department is organised around internal audit teams responsible for performing the audits and a support team.

The internal audit teams cover:

- Insurance & Asset Management;
- Specialised Units (Datamining, Models and Information System);
- Corporate;
- Retail Banking (including Network Banking Audits and Forensic Audits & Special Matters);
- Cross-functional & Support Units (Logistics, HR Development & Communication, Controls & Reporting, Lab'Expert and Expertise & IS Support).

In addition, CNP Assurances' Head of Internal Audit reports on a dotted-line basis to La Banque Postale's Head of Internal Audit, who reports to the Chairman of La Banque Postale's Executive Board.



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

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

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

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

3.5.8.2.2 Top-level management structures dedicated to control procedures

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

- **Financial Statements Committee**

The Financial Statements Committee is primarily responsible for:

- checking the clarity of financial information supplied by the Executive Board (by reviewing the draft parent company and consolidated financial statements prior to their presentation to the Supervisory Board) and assessing the relevance of the accounting methods used to prepare this information;
- participating in the selection of the statutory auditors and ensuring that they are independent and objective.

More generally, the Committee reports to the Supervisory Board on matters relating to the financial statements and notifies the Board of any material issues that may require a specific decision by the Board, supported by its recommendation thereon.

The statutory auditors, the Chief Financial Officer, the Chief Risk Officer and the Head of Internal Audit make presentations to the Committee on issues that concern them, including La Banque Postale's significant risk exposures and off-balance sheet commitments, the main observations made during the statutory audit of the accounts and the choice of accounting options.

The Committee met seven times in 2020 with an average attendance rate of 94%.

Further details are given in Section 2.1.3.1.4 Work of the committees of the Supervisory Board.

▸ **Risk Committee**

The Risk Committee is primarily responsible for:

- assessing the quality of internal control, with particular emphasis on risk management principles and systems, compliance controls, the programme of periodic controls and implementation of the main recommendations of the internal auditors and the banking and insurance supervisor;
- reviewing La Banque Postale's Internal Audit Charter, Risk Organisation Charter and Permanent Control Charter;
- examining the compatibility of La Banque Postale's remuneration policy and practices with its risk policy;
- more generally, fulfilling the roles described in the French Monetary and Financial Code and the Government order of 3 November 2014 on the internal control of companies in the banking, payment services and investment services sectors licensed by the ACPR.

The Chief Financial Officer, the Chief Compliance Officer, the Chief Risk Officer and the Head of Internal Audit make presentations to the Committee on issues within the scope of their responsibilities.

The Committee met eight times in 2020 with an average attendance rate of 98%.

Further details are given in Section 2.1.3.1.4 Work of the committees of the Supervisory Board.

At the level of the Executive Board, the internal control system is based on:

▸ **Executive Board meetings on internal control**

At least once every two months, the members of the Executive Board meet to discuss internal control issues. During the meetings, the Chief Compliance Officer, the Chief Risk Officer and the Head of Internal Audit make coordinated presentations to the Board on the internal control system and its results.

Two Executive Board committees – the Group Risk Management Committee (GRMC) and the Anti-Money Laundering and Financing of Terrorism Committee (AML/TF) – chaired by one of its members, organise and steer the Group's risk management.

▸ **Group Risk Management Committee (GRMC)**

Starting with a review of changes in risk measurement indicators and the findings of risk controls, the Group Risk Management Committee:

- decides on La Banque Postale Group's Risk Management Operational Policy;
- reviews the most sensitive risk areas (notably, loans on the watch list, loans to customers in difficulties and loans for which legal collection procedures have been launched) and monitors their coverage level (notably, provisions);
- reviews threats to La Banque Postale's balance sheet structure, results, or management ratios (capital, liquidity, etc.) and informs the Executive Board;
- provides an update on measures to prevent money laundering and the financing of terrorism at each of its meetings (monitoring of anti-money laundering screening, alerts, politically exposed persons, etc.).

The Group Risk Department is responsible for communicating the Committee's decisions in briefing or procedure memos distributed to the entities concerned (notably via the Risk Organisation) and ensuring that the decisions are implemented.

The Group Risk Management Committee is chaired by the General Secretary, who is the member of the Executive Board in charge of internal control. The monthly meetings of the Committee are led by La Banque Postale's Group Chief Risk Officer.

The Committee is assisted by three technical subcommittees:

- the Risk Management Rules Validation Committee chaired by the Group's Chief Risk Officer or his representative. This subcommittee meets once a month 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 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 Model Risk Management Committee (former Model Approval subcommittee) chaired by the Chief Risk Officer or his representatives, which 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 model risk;
- the Outsourced Services Risk Approval Committee (ORAC) chaired by the Chief Risk Officer or his representative, which meets as and when required.

▸ **AML/TF Committee**

The responsibilities of the Anti-Money Laundering and Financing of Terrorism Committee (AML/TF) are as follows:

- the periodic review of AML/TF risk maps;
- the regular review of AML/TF procedures in La Banque Postale's business lines and in subsidiaries with commercial operations;
- reporting of any weaknesses or malfunctions in AML/TF procedures and review of planned corrective action;
- review of the results of work carried out jointly by La Banque Postale and the La Poste Network regarding AML/TF;
- examination of the consistency of AML/TF procedures in La Banque Postale's business lines and in subsidiaries with commercial operations.

The Committee meets quarterly. It is chaired by a member of the Executive Board and meetings are led by the Chief Compliance Officer.

Employees of the Risk Organisation's risk and control functions at 31 December 2020[1]

	NUMBER OF EMPLOYEES		
	CENTRAL FUNCTIONS	LOCAL FUNCTIONS	TOTAL
RISK ORGANISATION INCLUDING PERMANENT CONTROL FUNCTION	678	338	1,116
COMPLIANCE	214		214
PERIODIC CONTROLS	137		137
TOTAL	1,029	338	

TOTAL EMPLOYEES	1,367

3.5.8.3 Work of the Risk, Compliance and Internal Audit Departments in 2020

Group Risk Department

- Significant events in the area of risk management in 2020 were as follows:
  - the Group's governance and risk management were strengthened during the Covid-19 crisis;
  - action was taken to comply with the measures adapting regulations and procedures due to the Covid-19 health crisis;
  - the integration of CNP Assurances was taken into account in the annual review of the Risk Organisation Charter. The updated version was approved by the Supervisory Board in April 2020;
  - work continued to vertically align the entire risk management system around a Risk Appetite Statement (RAS), which was reviewed following the integration of CNP Assurances and approved by the Supervisory Board in June 2020, along with the Risk Appetite Dashboard (RAD).
- Significant variations in the area of risk appetite in 2020 were as follows:
  - Risks classified as "critical" and "major" in the Group's risk map were incorporated into the RAS using quantitative (indicators) or qualitative (oversight mechanisms) inputs;
  - New indicators were introduced when the RAS was amended in June 2020, following La Banque Postale's acquisition of a controlling interest in CNP Assurances, in order to reflect insurance risks and risks associated with setting up a learning phase for indicators related to the CNP Assurances entities;
  - A Group Risk Management Operational Policy (RMOP) was approved by the Executive Board in August 2020, to ensure the deployment of the 2020 RAS;
  - A Permanent Control Organisation Operations and Procedures Charter (OPC) defines how the Risk Function Charter rolls down to the permanent control system from an operational and organisational standpoint and, specifically, how the different independent controllers responsible for performing level 2 controls in the business lines interact together;
  - The new DocRisk single documentary database for the Risk Organisation has been deployed;
  - A new default definition was introduced, in accordance with the evolutions of regulatory requirements.

Internal Audit Department

- 33 internal audits were performed in 2020, representing 61% of the programme:
  - 27 of the 44 audits originally scheduled were carried out;
  - 6 additional audits were performed;
  - 17 scheduled audits were cancelled or postponed;
  - in addition, 23 audits were performed by CNP Assurances' internal auditors.

(1) Estimated at 31 December 2020, including employees assigned to the risk function on a part-time basis.

- Main areas covered:
  - regulatory compliance (8 audits);
  - information system risks (5 audits, covering Data Lake, Fircosoft, etc.);
  - subsidiaries: LBP Assurances IARD, LBP Assurance Santé, LBP Prévoyance, Ma French Bank, etc.
  - operational risk and cross-functional activities (HR, middle office, risk management, etc.);
  - credit risk management at BPE;
  - model risk, with audits covering ALM IRRBB risks and commercial banking credit risk;
  - regional operations in mainland France;
  - joint audit with La Poste's internal auditors (SREP);
  - 3 audits in partnership with CNP Assurances' internal auditors (conglomerate, Insurance Distribution Directive, identity management) with the core aim of beginning to conduct joint audits.

The results of these audits were reported at Risk Committee meetings held in 2020 and 2021.

Coverage of the audit environment is also provided by the Inter-Internal Audit Committee (IIAC) for certain Outsourced Essential Services (OES). This Committee has been set up by eight French banks[1] which have decided to pool their resources for the audit of shared OESs. Four full audits of OESs[2], seven follow-up audits[3], two reporting system audits[4] and three exploratory audits[5] were carried out at La Banque Postale under the IIAC's 2020 audit programme.

Throughout the year, the Internal Audit Department monitored implementation of the action plans prepared in response to the inspection reports and recommendations issued by the supervisory authorities following their on-site audits. As of 1 January 2020[6], 3,632 action plans had been drawn up, of which 2,680 had been fully implemented, 287 were in progress and 610 were behind schedule.

Compliance Department

During 2020, the Executive Board's decision of 4 December 2019 to organise the Group Compliance Department as a Group "Organisation" was implemented. Given La Banque Postale Group's structure and multiple business lines (banking, insurance, investment services, asset management), this type of organisation ensures that operational compliance issues encountered by La Banque Postale SA's business lines, the La Poste Network and the subsidiaries are addressed without delay and resolved through the implementation of practical solutions.

Business Line Compliance Officers have been appointed in the departments the most exposed to compliance issues – the Payments Department, the Operations Department, the Retail Banking Department and the Corporate and Regional Banking Department. Similarly, a team of Network Compliance Officers has been deployed to provide rapid and practical support to La Poste Network employees.

In addition to these major organisational changes, ambitious projects were implemented during the year to optimise the Compliance system. Examples included the following:

- group standards covering financial security, the prevention and management of market abuse, and product governance processes and their application to the business lines and subsidiaries concerned, were all updated;
- new software designed to automatically detect potential money laundering and terrorism financing risks in customer transactions was put into production. The application was developed internally from start to finish in order to ensure that it was closely aligned with La Banque Postale's specific features;
- the system to deal with customer complaints was strengthened;
- a quarterly reporting application was launched to keep the Group regularly informed of the status of its subsidiaries' systems covering the various compliance issues.

3.5.8.4 Controls applied to the preparation and processing of financial information

The preparation and processing of financial and accounting information is the responsibility of the Finance Department, which is made up of the Accounting, Management Control, Tax, Balance Sheet Management and Financial Reporting units.

Accounting function

La Banque Postale's Accounting unit is responsible for the preparation and processing of accounting information. The unit's key tasks are to produce and publish high quality accounting information, supported by La Banque Postale's accounting organisation and using accounting project management resources. The Accounting unit describes and deploys the organisational and IT processes and structures used to produce the financial statements.

(1) BNP Paribas, Société Générale, Crédit Agricole SA, BPCE, CMCIC, La Banque Postale, CDC and HSBC France.

(2) IDEMIA for bank card production and personalisation, equensWorldline (audit still in progress): Mercanet function (former SIPS): secure e-commerce payment solution and related services; and Access Control Server (ACS) function: high level, SMS-based electronic payment authentication service. Sopra Steria (audit still in progress): software publishing and maintenance. IBM RS: user back-up sites (providing IT resources and/or facilities in the event the customer's own resources become unavailable).

(3) GIE Carte bancaire. STET: bank card payment authorisation and ATM withdrawals routing (via the e-RSB network) and scoring services. Diebold Nixdorf: ATM software production and maintenance. Docapost DPS: account statement printing, envelope stuffing, mailing. Nextalk/Monext: electronic payments = lost/stolen card reporting hotline; retailer payments processing centre. Iron Mountain: data archiving services. Gemalto: production, personalisation and issuance of bank card PIN.

(4) Loomis: cash handling - cash counting; ATM management; armoured cash transport. Brinks: cash handling - cash counting; ATM management; armoured cash transport.

(5) Prosegur: cash handling; armoured cash transport. Temis: cash handling - cash counting; ATM management; armoured cash transport. Atos: software publishing and maintenance; IT infrastructure hosting.

(6) Numérobis extract dated 1 January 2020.

In addition to the Accounting unit, La Banque Postale's accounting organisation includes the banking back-office teams, who report to the Heads of the Financial Centres, or, in some cases, to business line management. La Banque Postale's Accounting unit provides its teams with the instructions and control programmes necessary to ensure the consistency and quality of the information produced. The accounting organisation also includes the Corporate and Investment Banking (CIB) Department's accounting team, which is responsible for recording market transactions in the accounts. General resources accounting is outsourced to Le Groupe La Poste's Accounting Department.

The Accounting unit coordinates the transaction evidencing and review programmes implemented by La Banque Postale's operations accounting units in the Financial Centres, the National Centres and the Corporate and Investment Banking Department. These review and control programmes are revised based on the risk analysis carried out periodically when the financial statements are prepared and reviewed by the central financial statement review teams.

The Accounting unit supplements this level 1 work by a set of level 2 controls, consisting of recurrent cross-functional controls designed to provide assurance concerning the quality and completeness of the level 1 work carried out in the operating entities. The control process, which is formally described in accounting review manuals, is also based on the transaction evidencing procedures and formal evidencing of accounts closing procedures provided for in the work programmes. The level 2 work is performed by a dedicated accounts review team.

Level 2 accounts reviews are organised around the following main activities:

- deposit and savings account keeping activities;
- lending activities;
- financial transactions; general resources;
- consolidation.

The activities are broken down into review cycles that each result in the drafting of a monthly executive summary and detailed summaries during the audit phase, presenting the significant events in the cycle, the results of the work and an analytical review of the activity.

The reviewers' work schedules are periodically updated, in order to:

- adapt to changes in the activities and the regulatory environment;
- include project-related changes;
- take into account newly identified risk factors, or conversely, risks that no longer apply;
- optimise control process efficiency as part of the drive to reduce accounts closing lead-times.

For the Retail Banking accounts, the reviews are performed by the Financial Centres which report the results to the Accounting unit; these reviews are backed up by review cycles performed on a sample of complete files. In this way, all the centres and cycles are tested several times a year. The work is also incorporated into an accounting quality dashboard, which gives a monthly overview of the test results and the quality of the level 1 system.

These recurrent checks are supplemented by "pre-final" reviews, which begin one to two months before the closing date for the half-year and full-year financial statements, and allow for a dry run by the contributors (centres, head office departments). These procedures help to ensure that reporting deadlines will be met and that the procedures are reliable; they also provide interim information on the financial statements to the statutory auditors before they begin their work.

Regarding the scope of financial transactions, the Accounting unit has tightened the coordination process for the contributors (Corporate and Investment Banking Department and Risk Department). The aim of this system, which consists of monitoring meetings and formal feedback channels, is to:

- provide the expected schedules for the control deliverables in advance;
- report comments by the auditors (Internal Audit, statutory auditors);
- define action plans allowing points for improvement to be implemented.

The entire accounts closing process is supplemented by meeting: with the statutory auditors to review significant events and discuss accounting options before they are implemented (impact of applying new standards, accounting treatment of new products changes in the scope of consolidation).

The Accounting unit also coordinates the consolidation of the companies that make up La Banque Postale Group by issuing consolidation instructions.

The process for producing the consolidated financial statement includes:

- the consolidation instructions sent to all subsidiaries in the scope of consolidation;
- meetings to present recent developments concerning the Group, and the Group's standards and processes, allowing for discussion within the subsidiaries' accounting organisations;
- level 2 controls organised according to a control programme and control summaries, to permit a risk-based approach and coordinate the application of standards at Group level;
- reconciliations between the management accounts and the financial statements;
- analytical reviews presented by the subsidiaries to the Group's Finance Department in the presence of the statutory auditors of the subsidiary and the Group.

The subsidiaries have their own structure that enables them to perform level 1 and 2 accounting controls within their organisation.

The Accounting unit is also in charge of producing regulatory reports (except for the prudential ratios produced by the Group Risk Department) for the French banking supervisor (ACPR) or the European supervisor.

Lastly, the Accounting unit has a dedicated function responsible for defining accounting standards applicable to the Group (IFRS) and La Banque Postale (French GAAP). This function writes the standards manual, interprets new standards and ensures their application in the Group's financial statements. It helps define accounting principles applicable to new business activities or products and responds to questions from the business lines and the accounting organisation concerning the implementation and application of standards. Regular memos are distributed to the various players within La Banque Postale to inform the business lines about possible changes or to remind them of the applicable principles and methods.

Management control function

The management control function supports La Banque Postale's development and helps to improve its profitability. The Management Control unit is responsible for producing management information and contributes to the preparation of financial information. Using economic and financial analyses, Management Control takes part in defining La Banque Postale's strategy, monitors the implementation of that strategy, identifies the areas of progress and proposes solutions. It also creates steering conditions which facilitate the management of the business and decision-making by operating unit and business line managers. The goal is to contribute to improving La Banque Postale's performance.

Operational management control is performed at the level of the business lines and placed under their responsibility. The business lines constitute a management reporting level (subsidiary or department) and are responsible for deploying the resources needed to produce this information to the required level of quality and standards.

The main tasks of the central Management Control unit, reporting to the Group Finance Department, are to:

- produce dashboards and executive summaries on the business and its profitability for management and shareholders;
- prepare and consolidate La Banque Postale's budgets and medium- and long-term business plans;
- prepare budget execution reports and budget-to-actual comparisons;
- update short-term earnings forecasts or scenario analyses;
- act as a business partner for all of La Banque Postale's business lines and corporate departments;
- monitor the subsidiaries and Group investments administratively and financially;
- participate in the stress tests and report to the supervisor on the profitability indicators;
- participate in the rating agencies' reviews.

Management Control is also responsible for:

- analysing the performance of the Group, its business lines and its entities;
- monitoring the performance of the units and the half-yearly performance review by management during meetings of the relevant committees;
- instilling a value-based management culture throughout the network;
- managing the product pricing system based on contributions from the business lines;
- creating and developing a management system suited to the Group's environment and situation;
- qualifying the information used in commercial performance reports on credit volumes and margins;
- preparing cost accounts and monitoring the resources used in operating the business;
- reviewing the return on supply projects and investments.

Financial reporting function

All financial reporting is prepared by the Financial Reporting unit, whose head reports to La Banque Postale's Chief Financial Officer.

Its tasks consist of:

- coordinating and preparing the information published in financial press releases, earnings releases and presentations given to institutional investors, credit analysts and rating agencies, taking care to ensure that the messages are consistent;
- coordinating and preparing the regulated financial information submitted for approval to the AMF (Universal Registration Document and half-year amendment);
- monitoring regulatory developments and changes in local banking industry practices, with other Group functions;
- organising and coordinating relations with the rating agencies;
- together with other Group functions, liaising with credit investors and the regulators (AMF in France and European Central Bank in Europe);
- ensuring that financial information is provided on La Banque Postale's website at www.labanquepostale.com.

It bases its work on:

- regulatory texts concerning financial information publication requirements (European Banking Authority regulations, AMF regulations, etc.);
- the "Financial Communication Framework and Practices" guide prepared by Observatoire de la communication financière under the aegis of the AMF;
- best banking industry practices observed and adopted by La Banque Postale.

3.5.9 Information about business locations and activities at 31 December 2020

Article L. 511-45 of the French Monetary and Financial Code requires that credit institutions publish information for the financial year ended 31 December 2020 concerning the business locations and activities included in their scope of consolidation, in each State or territory.

Locations by country at 31 December 2020

Europe

France

Retail Banking

La Banque Postale
BPE
Easy Bourse
FCT Elise 2012
La Banque Postale Collectivités Locales
La Banque Postale Consumer Finance
La Banque Postale Home Loan SFH
La Banque Postale Leasing & Factoring
LBP Immobilier Conseil
Ma French Bank
SCI CRSF DOM
SCI CRSF Métropole
SCI Tertiaire Saint Romain
SF 2
SOFIAP

Insurance

CNP Assurances
AEP3 SCI
AEP4 SCI
Arial CNP Assurances
Assurbail Patrimoine
Assurimmeuble
Assuristance
CIMO
CNP Assur Trésorerie Plus
CNP Caution
CNP Immobilier
Ecureuil Profil 90
Ecureuil Vie Développement
Filassistance International
Holding d'Infrastructures Gazières
Coentreprise de Transport d'Electricité
La Banque Postale Assurance Santé
La Banque Postale Assurances IARD
La Banque Postale Prévoyance
LBP Actifs Immo
LBP Conseil en Assurances
LBPAM Court Terme
MFPrévoyance
Montparvie 5
OPCI AEP 247
OPCI AEW Imcom 1
OPCI MTP Invest
OPCI Raspail
Outlet Invest
SAS Alleray
SICAC
Sogestop K
Univers CNP 1 FCP
Vivaccio ACT 5DEC

Cyprus

Insurance

CNP Asfalistiki
CNP Cyprialife
CNP Cyprus Insurance Holdings
CNP Cyprus Properties
CNP Cyprus Tower Ltd

Spain

Insurance

CNP Partners

Greece

Insurance

CNP Praktoriaki
CNP Zois

Ireland

Insurance

CNP Europe Life Ltd
CNP Santander Insurance Europe Ltd
CNP Santander Insurance Life Ltd
CNP Santander Insurance Services Ireland Ltd

Italy

Insurance

CNP UNICREDIT VITA

Luxembourg

Retail Banking

CNP Luxembourg
Infra-Invest

Asset management

AEW SA
LBP Asset Management
LBP Asset Management Holding
OSTRUM AM
Tocqueville Finance Holding
Tocqueville Finance SA

Monaco

Retail Banking

La Banque Postale: Post Office

Netherlands[1]

Retail Banking

LBP Dutch Mortgage Portfolio 1 BV

LBP Dutch Mortgage Portfolio 2 BV

Central and South America

Argentina

Insurance

CNP Assurances Compañia de Seguros

CNP S.A. de Capitalización y Ahorro p/fines determinados

Brazil

Insurance

Caixa Assessoria e Consultoria

Caixa Capitalização

Caixa Consórcios

Caixa Saúde SA

Caixa Seguradora

Caixa Seguros Holding S.A.

Caixa Seguros Participações Securitárias Ltda.

Caixa Vida e Previdência

CNP Assurances Participações Ltda

CNP Holding Brasil

Holding Caixa Seguros Participaçoes em Saude Ltda

HOLDING XS 1 S.A.

XS2 VIDA E PREVIDENCIA S.A

Odonto Empresas Convenios Dentarios LTDA

OPCI FII Renda Corporativa Angico

OPCVM Caixa Capitalização SA

OPCVM Caixa Consórcios SA

OPCVM Caixa Seguradora SA

OPCVM Caixa Vida & Previdência SA

OPCVM Holding Caixa Seguros Holding SA

Previsul

Wiz Soluçoes e Corretagem de Seguros S.A

Data by country – 2020

The information presented here concerns consolidated companies and not branches.

Entities classified as “Assets held for sale and discontinued operations” in accordance with IFRS 5 and entities accounted for by the equity method are excluded.

Income tax corresponds to current and deferred taxes; it does not include taxes other than on income deducted from operating profit.

	2020			
Region	**Net banking income *(in € millions)***	**Profit before tax *(in € millions)***	**Income tax *(in € millions)***	**Average headcount *(full-time equivalents)***
France	**6,732**	**4,437**	**(182)**	**8,325**
Monaco	**3**	**2**	**(0)**	**8**
Saint-Martin	**2**	**1**	**(0)**	**5**
Other EU countries	**258**	**136**	**(34)**	**814**
Cyprus	48	21	(4)	291
Spain	29	7	(2)	189
Greece	1	(1)	(0)	17
Ireland	43	14	(3)	114
Italy	132	93	(27)	187
Luxembourg	5	2	2	17
Central and South America	**729**	**531**	**(202)**	**1,461**
Argentina	18	12	(3)	102
Brazil	711	519	(199)	1,359
TOTAL	**7,724**	**5,107**	**(419)**	**10,612**

(1) In 2017 and 2018, La Banque Postale acquired two home loan portfolios in the Netherlands, as part of the strategy to diversify the French home loan portfolio.

3.5.10 Other legal information

In late November 2020, Brazil's federal police disclosed details of accusations made in connection with a criminal investigation. The investigation concerns alleged misappropriations of funds at WIZ, a company that is 25%-owned by Caixa Seguros Holding, which may also have been a victim of fraud. The investigation is still in progress. In December, Caixa Seguros Holding's Board of Directors set up a special investigation committee that is independent from the company's management to conduct its own investigation in the Caixa Seguros Holding companies. This committee is being assisted by a law firm that has set up a multidisciplinary forensic team. At this stage in the investigations, it has been established that the allegations concern facts and amounts that are not material at the level of Caixa Seguros Holding and even less so at that of CNP Assurances and La Banque Postale Group, and no items have been identified that could call into question the reliability of the financial statements of CNP Assurances' Brazilian subsidiaries.

3.6 POST BALANCE SHEET EVENTS

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

3.7 2030 STRATEGIC PLAN

La Banque Postale is launching its 2030 strategic plan with the objective of becoming France's favourite bank.

The plan is organised around three priorities:

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

Commenting on the 2030 strategic plan, Philippe Heim, Chairman of the Executive Board, said:

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

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

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

3.7.1 Three priorities

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

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

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

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

Reaffirm community ambitions to support the just transition

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

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

- finance the energy transition and promote responsible consumption;
- correct emerging inequalities;
- broaden access to impact financing by signing up all of the business lines to this cause;
- give all employees a role in deploying this ambition through the advice and support given to the Group's customers.

All of the initiatives of the new community engagements platform will be presented on **Thursday, 10 June** during the upcoming community banking and insurance symposium (***Assises de la Banque et de l'Assurance citoyennes***).

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

In addition, the **Hello Carbo** software incubated by platform58 will be made available to customers on the online banking site and La Banque Postale app in 2021, to enable them to discover the carbon impact of their transactions and, if they wish, organise carbon offsets.

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

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

The Group is proud of its teams' engagement and their deep commitment to customer service, which led them to pull out all the stops during the Covid-19 crisis.

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

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

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

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

3.7.2 Three levers to support major ambitions

Three main levers will drive the development project:

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

Consolidate the Retail Banking base

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

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

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

- **La Banque Postale,** the bank for everyone, will step up its drive to win new customers and increase cross-selling, particularly for wealth management and business banking services, with the objective of acquiring over three million new customers by 2025. It will remain firmly committed to its public service mission of offering essential banking services to people who would otherwise be excluded, and assisting customers who are financially vulnerable customers or are not comfortable with digital formats.
- The **Ma French Bank** mobile bank should drive the customer acquisition process, with the **objective of attracting 1.3 million customers by 2025** thanks to a comprehensive consumer finance, savings and insurance offering that is both straightforward and affordable, to be rolled out in the period to 2023.
- **BPE** has deep regional roots and recognised expertise. Leveraging its unique private banking model, it will aim to double its customer deposits by 2025, an increase of €10 billion. It will offer 100%-SRI advisor-directed asset management services from 2021 and deploy its family office expertise. It will become La Banque Postale's specialist wealth management unit and will deepen its regional presence by doubling the number of BPE service desks in post offices to 100 by 2025.

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

- The quality of customer support will be enhanced by deploying a **differentiating CRM model** that uses data more effectively to offer a higher value-added service through digitisation and the pooled management of simple transactions. The objective is for **70% of sale transactions to be carried out using selfcare** or assisted selfcare systems by 2025.
- Digitisation and the development of multi-channel processes will be stepped up, with customers given the opportunity to apply for home loans on their mobile phones as from 2021. **From 2022, all traditional bancassurance products will be available on a digital app.** The project to digitise all front-to-back office processes is advancing rapidly and will be completed in 2025.
- Mass processing of low value-added transactions in the middle and back offices and optimised counter service practices will drive improved operational and marketing efficiency.

With the La Poste network, La Banque Postale has reaffirmed its strategic choice of maintaining a physical presence in all regions. This unique network of 17,000 contact points visited by one million customers per day, combined with a website that attracts three million users per day, enables La Banque Postale to capture the traffic needed to support its strategic development. The **post office** refurbishment plan that has seen 2,600 post offices refurbished in the past five years will continue, with a capital spending budget earmarked for the refurbishment of 300 to 400 post offices per year.

Increase the pace of diversification

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

Build the personal banking franchise

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

LBP AM will consolidate its position as a leader in sustainable finance and expand its diversified conviction management offering, including investments in real assets. This will be achieved by leveraging its globally recognised expertise (34 LBP AM/Tocqueville Finance funds were awarded four or five stars by Morningstar in 2020 for their financial performance). SRI assets under management will increase, helped by external distribution, to **€70 billion in 2025.** The Ostrum AM joint venture set up between La Banque Postale and Natixis, with some €450 billion in assets under management in 2020, will continue to expand its service offering for insurance companies and institutional investors in France and Europe.

Expand the business banking business

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

- The "**originate to distribute**" model (origination, arrangement and syndication) will be promoted, with the aim of applying this model for 25% of new syndicated structured finance deals.
- Financial institutions in France and Europe will be targeted for syndication (DCM, loans) and funding transactions, thanks to dedicated coverage, with the objective of **increasing net banking income from this source by 30% in the period to 2025.**
- La Banque Postale will consolidate its position as the benchmark provider of banking services for all public agencies, in partnership with SFIL, with the objective of achieving a **30% market share by 2025.**

Tap the bancassurance model's potential

CNP Assurances will spearhead the Group's life and non-life insurance businesses, in order to reap the full benefits of the synergies created by the bancassurance model:

- the life insurance operating model between CNP Assurances and La Banque Postale will be revamped by assertively transforming technical reserves and refreshing both product offerings and multi-channel processes. The momentum created by the revamped model should **lift unit-linked sales to around 30%** of new life business by 2025;
- sales of non-life insurance to banking customers will be increased by enhancing the service offering and digitising the customer experience. The aim is to achieve a **100% customer experience digitisation rate** and a **cross-selling rate of over 30% by 2025**[(1)]. In addition, distribution will be diversified (through brokers and retail partnerships) and the offering for professionals and micro-enterprises will be expanded.

(1) Among active customers.

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

La Banque Postale of the future will be more international

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

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

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

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

The first pilots will be launched in 2021, with the aim of offering the **first service bundles in 2022**.

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

La Banque Postale will collaborate with Tech startups by leveraging its **innovation** ecosystem, which will be developed more rapidly around the platform58 incubator that is currently incubating 27 FinTech, AssurTech, SecurTech and RegTech startups. A **€150 million innovation fund to be set up in 2021** will invest in startups with a view to establishing partnerships with the Group's business lines, subsidiaries or corporate functions.

3.7.3 Profitable and sustainable growth (2025 objectives versus 2020)

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

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

The Group's **robust capital base** (with a CET1 ratio of 20.4% in 2020) and **controlled 3.5% growth in RWA** (CAGR in the period to 2025) will ensure that this growth is **sustainable**[(1)].

(1) Excluding Basel IV impact.

3.8 INFORMATION ON THE STATUTORY AUDITORS

Statutory auditors of La Banque Postale	First appointed	Current appointment expires
PricewaterhouseCoopers Audit (member of *Compagnie régionale des commissaires aux comptes de Versailles*) 63, rue de Villiers 92200 Neuilly-sur-Seine Represented by Agnès Hussherr as from the 2020 financial year Alternate auditor: Jean-Baptiste Deschryver	28 April 2004	General Meeting of Shareholders called in 2022 to approve the financial statements for the financial year ending 31 December 2021
KPMG S.A. (member of *Compagnie régionale des commissaires aux comptes de Versailles*) Tour Eqho 2, avenue Gambetta CS60055 92066 Paris La Défense Represented by Marie-Christine Jolys as from the 2015 financial year and by Marie-Christine Jolys and Pierre Planchon as from the 2020 financial year Alternate auditor: KPMG S.A.	27 May 2010	General Meeting of Shareholders called in 2022 to approve the financial statements for the financial year ending 31 December 2021

Furthermore, as regards the audit of the previous financial statements:

2019 financial year

PricewaterhouseCoopers Audit

63, rue de Villiers

92200 Neuilly-sur-Seine

Represented by Jacques Lévi

KPMG S.A.

2, avenue Gambetta

CS60055

92066 Paris - La Défense

Represented by Marie-Christine Jolys

2018 financial year

PricewaterhouseCoopers Audit SAS

63, rue de Villiers

92200 Neuilly-sur-Seine

Represented by Jacques Lévi

KPMG S.A.

2, avenue Gambetta

CS60055

92066 Paris - La Défense

Represented by Marie-Christine Jolys

Non-Audit Services provided by the statutory auditors

The Non-Audit Services provided by the statutory auditors to La Banque Postale and its controlled entities were as follows in 2020:

- **PricewaterhouseCoopers Audit**
  - Comfort letter regarding the updating of the Base Prospectus for La Banque Postale SA's debt issuance programme (March 2020) and two comfort letters concerning the issues carried out in June 2020 and October 2020.
  - Comfort letter regarding the updating of the Base Prospectus for La Banque Postale Home Loan SFH's debt issuance programme.
  - Translation of non-financial information for La Banque Postale SA (non-financial or primary translation covered by SOPS 304) not related to the financial statements.
  - Review of the English translation of regulated information (sections of the Universal Registration Document, results press release, etc.), prepared by third parties on behalf of La Banque Postale.
  - Limited review of the interim financial statements of La Banque Postale Asset Management at 30 June 2020.
  - Analysis of consumer finance partnership models at La Banque Postale Consumer Finance.
  - Certification of credit data reported in connection with the TLTRO III refinancing system, for the period from 1 April 2018 to 31 March 2019.
  - Issuance of a report in connection with the payment of an interim dividend by La Banque Postale Asset Management.
  - Procedures related to the cancellation of shares by BPE.
  - Procedures related to the issuance of a report on an employee share issue by Ma French Bank.
- **KPMG S.A.**
  - Comfort letter regarding the updating of the Base Prospectus for La Banque Postale SA's debt issuance programme (March 2020) and two comfort letters concerning the issues carried out in June 2020 and October 2020.
  - Report by an independent third-party on La Banque Postale SA's Non-Financial Performance Declaration.
  - Limited review of the SFCR reports of the Insurance Division's entities.
  - Insurance training.
  - Comfort letter regarding the updating of the Base Prospectus for La Banque Postale Home Loan SFH's debt issuance programme.

- Green bond certification for La Banque Postale SA.
- Review of Solvency II projection model for La Banque Postale Prévoyance.
- Review of banking industry players and the structure of existing partnerships in Spain.
- Certification of credit data reported in connection with the TLTRO III refinancing system, for the period from 1 April 2018 to 31 March 2019.
- Limited review of the interim financial statements of La Banque Postale Asset Management at 30 June 2020.
- Issuance of a report in connection with the payment of an interim dividend by La Banque Postale Asset Management.
- Procedures related to the cancellation of shares by BPE.
- Procedures related to the issuance of a report on an employee share issue by Ma French Bank.

3.9 ALTERNATIVE PERFORMANCE MEASURES – ARTICLE 223-1 OF THE AMF GENERAL REGULATION

APM	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 of 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 4

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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 Key figures

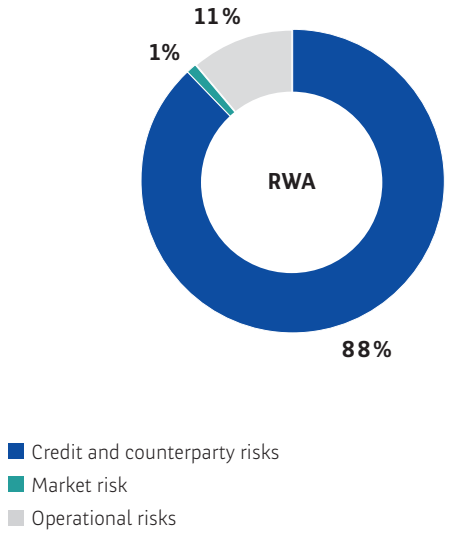
4.1.1.1 Capital

Capital *(in € million)*	31 Dec. 2020	31 Dec. 2019
Common Equity Tier 1 (CET1)	**17,461**	**9,400**
Tier 1 (T1)	**18,211**	**10,150**
Total capital	**20,961**	**12,441**
Risk-weighted assets (in € millions)		
Total RWA	**85,532**	**76,867**
Solvency ratios (%)		
CET1 ratio (%)	**20.4%**	**12.2%**
T1 ratio (%)	**21.3%**	**13.2%**
Total Capital ratio (%)	**24.5%**	**16.2%**
Additional buffers		
Capital conservation buffer (%)	**2.50%**	**2.50%**
Countercyclical buffer (%)[1]	**0.24%**	**0.24%**
Additional buffer	**0.25%**	**0.25%**
Leverage ratio		
Exposure to the leverage ratio	**297,421**	**259,105**
Leverage ratio (%)[2]	**6.9%**	**4.5%**
Liquidity ratio		
Total HQLA	**48,137**	**30,720**
Total net outflows	**26,892**	**20,106**
LCR ratio (%)	**179%**	**153%**

(1) Countercyclical buffer applicable to exposures in France, with the 0.25% increase in this buffer to 0.50% as from 2 April 2020 cancelled by way of a decision of 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.

(2) The leverage ratio calculated by applying the May 2019 decision of the European Central Bank (excluding 50% of the centralised savings funds) was 6.1%.

4.1.1.2 Risk-weighted assets by type at 31 December 2020



4.1.2 Principal structural risk factors

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

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

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

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

This section complies with the provisions of Article 16 of Regulation "Prospectus 3" 2017/1129 of 14 June 2017 applicable to risk factors as of 21 July 2019.

4.1.2.1 Risks related to the macro-economic environment

1. 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

In 2020 La Banque Postale, like all credit institutions across the globe, had to contend with the initial economic and operating ramifications of the Covid-19 pandemic.

The first wave of the coronavirus in France prompted the government to introduce a lockdown lasting over 50 days, with businesses rallying sharply towards the end of second-quarter 2020, before a second slowdown following further lockdown restrictions between October and December 2020 to contain the second wave. At the date of this Universal Registration Document, the spread of the virus remained a concern in France as elsewhere in Europe and across the globe, barring exceptional cases. The deployment of strategies relying on mass vaccinations among the population have not yet led to the expected return to a "normal" economic and social situation. Consequently, there remains a significant level of uncertainty concerning the economic situation and to what degree it will recover.

The latest scenarios published by the European Central Bank (ECB) in December 2020 point to a gradual recovery during 2021 after a subdued first quarter following a fresh ramp-up in containment measures in Europe in response to a strong resurgence of the Covid-19 pandemic. Over 2021 as a whole, the health situation is expected to gradually resolve thanks to an extensive vaccination campaign, which should help kick-start the broader economy helped by substantial support from monetary and fiscal policies and the recovery in foreign demand.

For France in particular, the continuation of the measures introduced in 2020, such as government-backed loans, payment holidays and reductions in personnel costs for companies (through short-time working, furlough schemes, exemptions from social security contributions, etc.), should be instrumental in helping to stabilise and reboot the economy.

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, with GDP for the country down 8.3% in 2020, but with Banque de France economists nevertheless expecting it to 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 of the health and financial crisis (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 indicators (notably the CET1 ratio) are described further on in this chapter.

Owing to the measures taken by the French government to support the economy, and to other schemes introduced in Europe such as repayment holidays (suspension of payments on loans for periods ranging from three to six months), the number of business failures initially expected as a result of the restrictions introduced across the globe have not yet been significant within La Banque Postale's portfolio. Business failures may be seen as from 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. In response to this risk, La Banque Postale has strengthened its sector-specific provisions (Private passenger transport – in particular aviation, Automotive, Tourism and Hospitality, 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 could negatively impact 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 La Banque Postale Group's financial statements and its solvency situation. If a further wave occurs and triggers another impact on the financial markets, the Group's solvency would be once again affected.

Following the initial lockdown measures in France in the first half of 2020, 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. These measures were reactivated during the second wave of the pandemic in the second half of 2020, with La Banque Postale clearly demonstrating that it has the organisational ability to ensure its business continuity.

At 31 December 2020, it was estimated that the Covid-19 health and economic crisis had a negative €377 million impact on net banking income (all businesses considered) and a negative €455 million impact on cost of risk.

At 31 December 2020, La Banque Postale's exposure to the industries most severely impacted by the crisis remains modest, representing 1% of its overall credit exposure. La Banque Postale is exposed to the Private passenger transport sector (including air transport) sector in an amount of €762 million, to the Tourism and Hospitality industry in an amount of €696 million, and to the Automotive industry in an amount of €533 million.

2. An ongoing low-interest environment could adversely 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 a significant portion of its revenue from its banking activities.

In this environment, the interest rates on regulated savings accounts – i.e., the Livret A, Livret de développement durable et solidaire (LDDS) and Livret d'épargne populaire (LEP) – would offer interest rates (and therefore represent costs for La Banque Postale) that are higher than market rates (i.e., the refinancing cost that La Banque Postale could obtain if it were to seek financing on the markets). However, these products, of which La Banque Postale is a long-term distributor (with outstandings of €79.5 billion at 31 December 2020), and notably of the Livret A (€64.6 billion in outstandings at 31 December 2020), generate exposure for La Banque Postale and its ability to lower the cost of its customers' deposits is limited. In addition, given the current economic uncertainty and health crisis, these savings products are considered to be "safe" and have therefore become more popular despite the very low interest rates that customers receive on them.

An environment in which interest rates remain very low for an extended period of time could result in another wave (following the wave in 2017-2018) of early repayments and refinancing of fixed-rate loans (mortgages and other types of loans) granted to both retail and corporate customers by La Banque Postale. Given that outstanding home loan totalled €64.9 billion at 31 December 2020 on outstanding loans of €108.2 billion, these items have the potential to significantly impact the revenue and profitability of La Banque Postale over the long term.

Lastly, low interest rates could affect the profitability and solvency of the insurance business within the meaning of Solvency II Regulations. By impacting the investment returns of the Group's insurance subsidiaries, a low interest rate environment could lead to higher numbers of policy surrenders and a decrease in subscriptions, which in turn could have an adverse effect on La Banque Postale's net banking income (NBI). Further information on this issue is provided below in the section on risks 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 business accounted for 33.4% of La Banque Postale Group's NBI in 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 Group's banking activities are concentrated in France. Its insurance business – which is primarily conducted through CNP Assurances – exposes the Group internationally, especially in Brazil and Italy. La Banque Postale Group is therefore exposed to trends and developments in the financial markets and, more generally, changes in the economic situation in France, the rest of Europe and the rest of the world.

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

- the Group's business plan, leading to lower credit production;
- the deterioration of borrower solvency, including both retail customers 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 (as of the year end, 1.4 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 already 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.

Before acquiring a controlling interest in CNP Assurances, La Banque Postale only generated 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 was contained. The full consolidation of CNP Assurances adds a portfolio of financial assets at fair value through profit or loss representing €187 billion at 31 December 2020, thereby exposing La Banque Postale's results to an increased volatility risk.

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' assets at fair value through equity, for which changes in fair value are recognised in other comprehensive income (OCI). OCI is included in the calculation of La Banque Postale Group's regulatory own funds. This key component, combined with La Banque Postale's positions recognised at fair value through equity, increases the sensitivity of the Group's solvency ratio to changes in the financial markets.

Consequently, a further financial market shock could adversely impact the Group's solvency.

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

Besides the economic and financial impacts of the Covid-19 health crisis, other political and geopolitical factors should be noted. The likely difficulty of the British government coming to a trade agreement with the European Union following Brexit, and the intensification of trade wars, notably between the United States and China, etc., are sources of uncertainty which may have an impact on international trade, and therefore on the demand for credit and the solvency of borrowers in Europe and, notably on corporate customers of La Banque Postale.

The link-up with CNP Assurances also gives La Banque Postale Group a higher level of international exposure, especially in Brazil, which accounted for 9.2% of the Group's NBI in 2020. For more information, see Section 3.5.9 "Information about business locations and activities at 31 December 2020" of this document.

Within the scope of its 2021-2030 strategic plan, La Banque Postale Group intends to develop its international business and has set itself the aim of generating 20% of its NBI from international activities by 2025.

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

4.1.2.2 Risks related to the legal and regulatory framework

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

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

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

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

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

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

Implementation of the internal debt cancellation process can lead to the total or partial impairment of the debt securities or their conversion to capital securities. This 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 its investors. At 31 December 2020, the amount of additional Tier 1 (AT1) capital was €750 million. The amount of Tier 2 capital with maturity of over one year was €2,750 million, while that of senior non-preferred debt with maturity of over one year was €2,758 million.

6. The legislative measures provided for by the banking package passed by the European Parliament in April 2019 could have an impact on La Banque Postale's business activity, results and financial position

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

With respect to CRR II, the main measures involve the leverage ratio (which notably provides, for the calculation of the ratio, a waiver by type, and no longer by authorisation, of the exposures related to centralised savings), major risks, the requirement for stable funding (Net Stable Funding Ratio - NSFR) and the minimum requirement in terms of total loss-absorbing capacity (TLAC). Most of the measures will be applicable on 28 June 2021.

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

- **The application of the leverage ratio as a Pillar I requirement:** this ratio, which is covered in 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.

- **The application of the stable funding ratio as a requirement of Pillar I:** the NSFR (Net Stable Funding Ratio) is a long-term liquidity ratio which La Banque Postale must calculate and meet at a minimum level of 100%.

  The NSFR corresponds to the amount of stable financing available (commitments and reliable capital at one year) compared to the stable funding requirement (off-balance sheet assets and exposures – liquidity and residual maturity at one year). In order to monitor long-term liquidity, La Banque Postale has implemented a management system which enables it to offset its exposures with stable sources of financing (see Section 4.5.1.3 "Liquidity risk" of this Universal Registration Document).

- **The introduction in CRR II of new credit and counterparty risk measurement methods:** this is the replacement of the current credit and counterparty risk measurement method for exposure in the event of default (CEM or Current Exposure Method: valuation method at market price) with a new standardised calculation method for the value exposed to derivative instrument risk (SA-CCR: standardised approach to counterparty credit risk). La Banque Postale will apply the SA-CCR method with its related impacts.

- **The review of the major risks calculations:** the requirements for major risks for systemically important financial institutions (SIFI) have been strengthened. As a domestic systemically important institution (SII), La Banque Postale will use Tier 1 instead of eligible capital as the basis for its limit calculations.

The current regulatory framework and the entry into effect of the reforms described above can impact the level of capital, the cost of financing of La Banque Postale and/or certain activities and, by extension the way in which the La Banque Postale Group 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 31 December 2020, market RWA accounted for 0.8% of La Banque Postale Group's total RWA, i.e., €683 million for a total RWA of €85,532 million.

To illustrate, a doubling of the capital charge at 31 December 2020 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.

On 28 October 2020, the Directorate-General for Competition Policy, Consumer Affairs and Fraud Control (DFCCRF) found against La Banque Postale for having breached applicable regulations regarding payment terms for invoices issued by La Banque Postale suppliers (business-to-business payment terms) in 2018. The penalty consists of a fine totalling €990,000 and public disclosure on the DGCCRF's website.

On 17 November 2020, the DGCCRF found against La Banque Postale for having breached Regulation no. 2015/751 on interchange fees. The penalty consists of a fine totalling €1,168,162 and public disclosure on the websites of the DGCCRF and La Banque Postale.

In late November 2020, Brazil's federal police disclosed details of accusations made in connection with a criminal investigation. The investigation concerns alleged misappropriations of funds at WIZ, a company that is 25%-owned by Caixa Seguros Holding, which may also have been a victim of fraud. The investigation is still in progress. In mid-December, Caixa Seguros Holding's Board of Directors set up a Special Investigation Committee that is independent from the Company's management to conduct its own investigation in the Caixa Seguros Holding companies. The Committee is being assisted by a law firm that has set up a multidisciplinary forensic team. At this stage in the investigations, it has been established that the allegations concern facts and amounts that are not material at the level of Caixa Seguros Holding and even less so at that of CNP Assurances and La Banque Postale Group, and no items have been identified that could call into question the reliability of the financial statements of CNP Assurances' Brazilian subsidiaries.

On 24 February 2021, the *Commission d'Examen des Rapports de Contrôle* (Control Report Review Commission) sent a statement of grievances to La Banque Postale's Monaco branch regarding a report dated 12 July 2019 drawn up by the *Service d'Information sur les Circuits Financiers* (SICCFIN).

As at 31 December 2020, the amount of the provision for legal risk (customers) was €35.26 million for La Banque Postale SA.

For more information see Section 4.8.1 "Legal and tax risks" of the 2020 Universal Registration Document. Legal risks pertaining to La Banque Postale's subsidiary CNP Assurances are presented in CNP Assurances' 2020 Universal Registration Document.

4.1.2.3 La Banque Postale's operations risks

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

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

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 result from 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 repayment obligations, or it could be exposed to a replacement cost for its market transactions (derivatives) or securities transactions (lending/borrowing, repo/reverse repo, placement or investment).

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

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

Until late 2019, La Banque Postale's risk level was very low given the height of the economic cycle and the level of interest rates which considerably improved customer solvency. However, any rapid deterioration in economic conditions, such as those observed 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 2020, La Banque Postale (excluding CNP Assurances) was exposed to credit risk in the amount of €86.3 billion for retail customers, €71.9 billion for governments (sovereign category), €29.7 billion for companies, €25.6 billion for the local public sector (in particular local authorities and hospitals) and €25.2 billion for banks, mostly through short-term and collateralised transactions.

At 31 December 2020, the non-performing loan (NPL) ratio was very low, at 0.7%. The NPL ratio for the Corporate portfolio stood at 1.7% (excluding the local public sector, sovereigns and banks).

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. This model is rounded out by stress tests to capture severe but plausible shocks outside the VaR range. Changes in the VaR for La Banque Postale in 2020 are set out in Section 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" of this Universal Registration Document.

The size of La Banque Postale's trading book as defined by prudential regulations was €4,752 million at 31 December 2020.

Net interest margin for La Banque Postale Group in 2020 was down 8% due to the low interest rate environment and reduced funding desk trading room activity.

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

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

La Banque Postale's unfunded financing consists of deposits collected, long-term debt issues and short- and medium-term negotiable debt securities. In addition to these sources of funding, La Banque Postale also issues via La Banque Postale Home Loan SFH and has secured financing, notably via the signature of repo agreements. In 2020, La Banque Postale Home Loan SFH issued a total of €5,900 million, with €5,000 million retained on La Banque Postale Group's balance sheet and €900 million issued on financial markets. 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 manages its loan-to-deposit ratio and its liquidity buffer so as to mitigate its liquidity risk. Its loan-to-deposit ratio was 83.6% at end-December 2020. The need to turn to the interbank market is, therefore, limited for La Banque Postale.

At 31 December 2020, La Banque Postale's LCR was 179% 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 & Poor's (the two agencies that rate La Banque Postale) are based on a detailed analysis of several major components of La Banque Postale (governance, strategy, quality and diversity of the business model, composition of results, balance sheet structure and risk management policy).

Any deterioration of these components would increase the cost of refinancing, limit La Banque Postale's access to capital markets and reduce its ability to be involved with certain types of transactions or categories of customers. However, this risk appears to be limited in the short and medium term for La Banque Postale, whose long-term credit 'A' rating with a stable outlook was confirmed by Standard & Poor's on 27 October 2020. On 15 April 2020, Fitch also reaffirmed La Banque Postale's long-term credit 'A-' rating with a stable outlook.

12. La Banque Postale's insurance business risks

As a parent company and head of a conglomerate, La Banque Postale is exposed to insurance business risks in France. La Banque Postale's Insurance business accounted for 33.4% of the Group's NBI in 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.

In 2020, unit-linked contracts represented 51.8% of Savings/Pensions premium income (CNP Assurances), a rise of 9.5 points on 2019.

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 La Banque Postale Group whose materiality would be contained given the weight of non-life insurance at the level of the Group.

La Banque Postale's non-life insurance business had a portfolio of 4.6 million policies at 31 December 2020. Property & Casualty premium income rose 12.7% in 2020 to €399 million. The combined ratio, net of reinsurance relating to the non-life Insurance Division, stood at 89.1% in 2020, representing a 2.3-point improvement over the previous year.

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 Group's governance bodies.

In order to effectively counter internal and/or external fraudsters – whose techniques are multi-faceted and constantly changing – La Banque Postale 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. In 2020, La Banque Postale appointed a Head of Cyber-Security to define and actively coordinate the cyber-security strategy for La Banque Postale Group and its subsidiaries, including CNP Assurances.

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.

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

At 31 December 2020, operational risk-weighted assets were contained and only amounted to €9,265 million, i.e., 10.8% 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, La Banque Postale 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 EBA's February 2019 guidelines on outsourcing). The regulator could increase the minimum CET1 capital holding requirement based on the four pillars of the annual SREP exercise (business model, governance and risk management, capital risk [ICAAP] and liquidity and financing risk [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 La Banque Postale 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).

La Banque Postale closely tracks changes in its LCR (179% as at 31 December 2020), its leverage ratio (6.1% at 31 December 2020, ratio calculated excluding 50% of centralised savings), its total capital ratio (24.5% at 31 December 2020) and its NSFR (above 100% at 31 December 2020).

Generally speaking, weaknesses in governance and in the overall internal control environment could have a negative impact on the activities of La Banque Postale Group and its subsidiaries (for more information, see Section 3.5.10 "Other legal information" of this Universal Registration Document.

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, investment services, the fight against fraud, and ethical and professional standards.

Non-compliance risk is assessed taking into account the diversity of La Banque Postale's businesses and the national distribution network, Le Groupe La Poste'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 the Group and for the banking, insurance and investment services subsidiaries.

Given the structure of La Banque Postale Group and its wide range of businesses, the Group Compliance Department has chosen to organise itself as a Compliance Organisation. This organisation was approved by the Executive Board on 4 December 2019 and put in place throughout 2020.

It led to the creation of the La Banque Postale Compliance Department, the La Poste Network Banking Services Compliance Department, and the Ethics Department. Falling under the responsibility of La Banque Postale Group's Compliance Department, the Compliance Function is also in charge of the KYC and Regulatory Training programmes. In addition, the Compliance Function ensures that CNP Assurances and all of the other La Banque Postale Group subsidiaries comply with applicable laws and regulations.

It is based on:

- central Compliance teams at the level of La Banque Postale Group;
- the roll-out of business-specific support through La Poste Network, with the creation of a Compliance Department for banking activities carried out by the Network and by La Banque Postale Group's subsidiaries; and
- a unified upward reporting structure (which includes local Compliance Officers).

Failure to respect compliance regulations could negatively impact La Banque Postale Group's business, financial situation, and reputation. For example on 21 December 2018, the ACPR Sanctions Committee issued a reprimand against La Banque Postale along with a fine of €50 million following a report on its anti-money laundering and combating the financing of terrorism system (AML/TF). The report found that the control system was deficient with respect to national mandates issued by non-customers of La Banque Postale. This activity was terminated as of 31 December 2017. This decision was confirmed by the Council of State (see Section 4.8.1 "Legal and tax risks" of the 2019 Universal Registration Document).

For more information on non-compliance risks, see Section 4.8.2 "Non-compliance risks" of this Universal Registration Document.

4.1.2.4 La Banque Postale's business risks

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

The new strategic plan, "*La Banque Postale 2021-2030: for our customers and for the future, the just transition in action(s)*" is designed to support La Banque Postale's ambition to become France's favourite bank, close to its customers, with impeccable service quality and unrivalled social responsibility ambitions. This strategic plan continues La Banque Postale's dynamic of consolidating its Retail Banking performance and increasing the pace of diversification of its business model in order to position itself in the medium term as the bank of the future. The strategic plan also includes a strong community engagement goal.

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

The success of this strategic plan depends on a number of assumptions and initiatives (the scope of which can vary significantly). Should these assumptions or initiatives not materialise or should any unexpected changes impacting the environment occur, this could have a negative impact on the La Banque Postale 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 and solidify that with professionals, companies and institutional players. Besides offering a wide range of full digitised products and services by 2025, the 2021-2030 strategic plan also aims to continue investing heavily in digital – from a human, technological and financial perspective – in order to offer the best possible service quality to its customers and enable La Banque Postale to represent best-in-class market practices.

La Banque Postale's digital transformation assumes approaches and initiatives which may not occur or meet the objectives set. These elements could have a negative impact on La Banque Postale's commercial activity and, therefore, on its financial position.

For more information, see Section 1.3 "2030 strategic plan" of this Universal Registration Document.

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 a number of concomitant steps:

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

The above transactions were carried out based on a valuation of La Poste's pre-transaction capital amounting to €7 billion. Since the completion of the transaction, La Poste has been majority held by Caisse des Dépôts (66%), with the rest held by the French State (34%). La Banque Postale has therefore become the main shareholder of CNP Assurances (holding a 62.84% interest at 31 December 2020), 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. Generally speaking, poor execution of operational integration processes could negatively impact estimated synergies from acquisitions.

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

This post-acquisition integration project was preceded by an intense preparation and anticipation phase within the La Banque Postale Group 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 health and economic crisis: setting up a new governance structure, pursuing the integration work for regulatory functions (finance, risks, compliance, controls), and continuing with the overall business project, focusing particularly on the product and service offering, distribution, customer experience and information systems sub-projects.

The integration project has now entered its second phase of standardisation and automation; this is the phase of 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 LI3)

		Regulatory consolidation method				
Entity name	**Accounting consolidation method**	**Full consolidation**	**Proportional consolidation**	**Equity accounted**	**Deducted**	**Entity description**
LA BANQUE POSTALE	Full consolidation	LA BANQUE POSTALE	-	-	-	Retail Banking
SCI CRSF DOM	Full consolidation	SCI CRSF DOM	-	-	-	Retail Banking
SCI CRSF MÉTROPOLE	Full consolidation	SCI CRSF MÉTROPOLE	-	-	-	Retail Banking
SCI TERTIAIRE SAINT ROMAIN	Full consolidation	SCI TERTIAIRE SAINT ROMAIN	-	-	-	Retail Banking
SF 2	Full consolidation	SF 2	-	-	-	Retail Banking
LA BANQUE POSTALE CONSUMER FINANCE	Full consolidation	LA BANQUE POSTALE CONSUMER FINANCE	-	-	-	Retail Banking
LA BANQUE POSTALE LEASING & FACTORING	Full consolidation	LA BANQUE POSTALE LEASING & FACTORING	-	-	-	Retail Banking
EASY BOURSE	Full consolidation	EASY BOURSE	-	-	-	Retail Banking
FCT ELISE 2012	Full consolidation	FCT ELISE 2012	-	-	-	Retail Banking
BPE	Full consolidation	BPE	-	-	-	Retail Banking
LA BANQUE POSTALE COLLECTIVITÉS LOCALES	Full consolidation	LA BANQUE POSTALE COLLECTIVITÉS LOCALES	-	-	-	Retail Banking
LA BANQUE POSTALE HOME LOAN SFH	Full consolidation	LA BANQUE POSTALE HOME LOAN SFH	-	-	-	Retail Banking
SOFIAP	Full consolidation	SOFIAP	-	-	-	Retail Banking
LBP DUTCH MORTGAGE PORTFOLIO 1 B.V	Full consolidation	LBP DUTCH MORTGAGE PORTFOLIO 1 B.V	-	-	-	Retail Banking
LBP DUTCH MORTGAGE PORTFOLIO 2 B.V	Full consolidation	LBP DUTCH MORTGAGE PORTFOLIO 2 B.V	-	-	-	Retail Banking
MA FRENCH BANK	Full consolidation	MA FRENCH BANK	-	-	-	Retail Banking
LBP IMMOBILIER CONSEIL	Full consolidation	LBP IMMOBILIER CONSEIL	-	-	-	Retail Banking
CNP ASSURANCES	Full consolidation	-	-	CNP Assurances	-	Insurance
CNP CAUTION	Full consolidation	-	-	CNP Caution	-	Insurance
ARIAL CNP ASSURANCES	Equity accounted	-	-	Arial CNP Assurances	-	Insurance
MFPRÉVOYANCE	Full consolidation	-	-	MFPrévoyance	-	Insurance
FILASSISTANCE INTERNATIONAL	Equity accounted	-	-	Filassistance International	-	Insurance
ASSURISTANCE	Equity accounted	-	-	Assuristance	-	Insurance
ÉCUREUIL VIE DÉVELOPPEMENT	Equity accounted	-	-	Écureuil Vie Développement	-	Insurance
ASSURBAIL PATRIMOINE	Full consolidation	-	-	Assurbail Patrimoine	-	Insurance
HOLDING D'INFRASTRUCTURES GAZIÈRES	Equity accounted	-	-	Holding d'Infrastructures Gazières	-	Insurance
CAIXA SEGUROS HOLDING SA	Full consolidation	-	-	Caixa Seguros Holding SA	-	Insurance
CAIXA SEGUROS PARTICIPAÇÕES SECURITÁRIAS LTDA.	Full consolidation	-	-	Caixa Seguros Participações Securitárias Ltda.	-	Insurance
CAIXA SAGURADORA	Full consolidation	-	-	Caixa Saguradora	-	Insurance
CAIXA CAPITALIZAÇÃO	Full consolidation	-	-	Caixa Capitalização	-	Insurance

		Regulatory consolidation method				
Entity name	**Accounting consolidation method**	**Full consolidation**	**Proportional consolidation**	**Equity accounted**	**Deducted**	**Entity description**
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 SA DE CAPITALIZACIÓN Y AHORRO P/FINES DETERMINADOS	Full consolidation	-	-	CNP SA de Capitalización y Ahorro p/fines determinados	-	Insurance
PREVISUL	Full consolidation	-	-	Previsul	-	Insurance
WIZ SOLUÇOES E CORRETAGEM DE SEGUROS SA	Equity accounted	-	-	Wiz Soluçoes e Corretagem de Seguros SA	-	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 LTD	Full consolidation	-	-	CNP Santander Insurance Life Ltd	-	Insurance
CNP SANTANDER INSURANCE EUROPE LTD	Full consolidation	-	-	CNP Santander Insurance Europe Ltd	-	Insurance
CNP SANTANDER INSURANCE SERVICES IRELAND LTD	Full consolidation	-	-	CNP Santander Insurance Services Ireland Ltd	-	Insurance
CNP LUXEMBOURG	Full consolidation	-	-	CNP Luxembourg	-	Insurance
CNP ASSURANCES PARTICIPAÇÕES LTDA	Full consolidation	-	-	CNP Assurances Participações Ltda	-	Insurance
ASSURIMMEUBLE	Full consolidation	-	-	Assurimmeuble	-	Insurance

		Regulatory consolidation method				
Entity name	**Accounting consolidation method**	**Full consolidation**	**Proportional consolidation**	**Equity accounted**	**Deducted**	**Entity description**
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
OCPI AEP 247	Full consolidation	-	-	OPCI AEP 247	-	Insurance
LBP ACTIFS IMMO	Full consolidation	-	-	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
ÉCUREUIL PROFIL 90	Full consolidation	-	-	Écureuil Profil 90	-	Insurance
VIVACCIO ACT 5DEC	Full consolidation	-	-	Vivaccio ACT 5DEC	-	Insurance
LBP AM COURT TERME	Full consolidation	-	-	LBPAM Court Terme	-	Insurance
CNP ASSUR TRÉSORERIE PLUS	Full consolidation	-	-	CNP Assur Trésorerie Plus	-	Insurance
UCITS CAIXA SEGURADORA SA	Full consolidation	-	-	UCITS Caixa Seguradora SA	-	Insurance
UCITS CAIXA CAPITALIZAÇAO SA	Full consolidation	-	-	UCITS Caixa Capitalização SA	-	Insurance
UCITS CAIXA VIDA & PREVIDÊNCIA SA	Full consolidation	-	-	UCITS Caixa Vida & Previdência SA	-	Insurance
UCITS CAIXA CONSÓRCIOS SA	Full consolidation	-	-	UCITS Caixa Consórcios SA	-	Insurance
UCITS HOLDING CAIXA SEGUROS HOLDING SA	Full consolidation	-	-	UCITS Holding Caixa Seguros Holding SA	-	Insurance
COENTREPRISE DE TRANSPORT D'ÉLECTRICITÉ	At fair value through profit or loss	-	-	Coentreprise de Transport d'Electricité	-	Insurance
MONTPARVIE 5	Full consolidation	-	-	Montparvie 5	-	Insurance
SOGESTOP K	Full consolidation	-	-	Sogestop K	-	Insurance
XS2 VIDA E PREVIDENCIA S.A.	Full consolidation	-	-	XS2 VIDA E PREVIDENCIA S.A.	-	Insurance
HOLDING XS 1 S.A.	Full consolidation	-	-	HOLDING XS 1 S.A.	-	Insurance
INFRA INVEST	Full consolidation	-	-	Infra Invest	-	Insurance
LA BANQUE POSTALE PRÉVOYANCE	Full consolidation	-	-	La Banque Postale Prévoyance	-	Insurance
LBP CONSEIL EN ASSURANCES	Full consolidation	LBP Conseil en Assurances	-	-	-	Insurance
LA BANQUE POSTALE ASSURANCES IARD	Full consolidation	-	-	La Banque Postale Assurances IARD	-	Insurance
LA BANQUE POSTALE ASSURANCE SANTÉ	Full consolidation	-	-	La Banque Postale Assurance Santé	-	Insurance
LA BANQUE POSTALE ASSET MANAGEMENT HOLDING	Full consolidation	La Banque Postale Asset Management Holding	-	-	-	Asset management
LA BANQUE POSTALE ASSET MANAGEMENT	Full consolidation	La Banque Postale Asset Management	-	-	-	Asset management
TOCQUEVILLE FINANCE HOLDING	Full consolidation	Tocqueville Finance Holding	-	-	-	Asset management
TOCQUEVILLE FINANCE SA	Full consolidation	Tocqueville Finance SA	-	-	-	Asset management
OSTRUM ASSET MANAGEMENT	Equity accounted	-	-	Ostrum Asset Management	-	Asset management
AEW SA	Equity accounted	-	-	AEW 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 securi-tisation	Subject to market risk	Not subject to capital requirements or subject to capital deductions
ASSETS							
Cash, central banks	1,783	1,783	1,783	-	-	-	-
Financial assets at fair value through profit or loss	195,772	8,094	3,190	939	-	3,929	-
Hedging derivatives	1,443	1,443	0	1,447	-	-	-
Financial assets at fair value through OCI	230,779	13,896	13,572	-	322	-	-
Securities at amortised cost	24,018	23,863	24,402	-	1	-	-
Loans and advances to credit institutions at amortised cost	114,484	112,780	110,625	3,742	-	-	-
Loans and advances to customers at amortised cost	125,255	125,222	111,521	12,151	-	-	-
Revaluation differences on rate hedged portfolios	220	220	220	-	-	-	-
Current tax assets	867	254	254	-	-	-	-
Deferred tax assets	449	376	378	-	-	-	-
Accruals and other assets	31,907	3,007	2,983	54	-	-	-
Non-current assets held for sale	-	-	-	-	-	-	-
Deferred participation	-	-	-	-	-	-	-
Investments in equity-accounted companies	696	12,432	11,985	-	-	-	-
Investment properties	3,083	-	-	-	-	-	-
Property, plant and equipment	879	702	594	-	-	-	-
Intangible assets	5,385	673	-	-	-	-	673
Goodwill	156	156	-	-	-	-	156
Total assets	**737,176**	**304,899**	**281,507**	**18,332**	**323**	**3,929**	**828**
LIABILITIES AND EQUITY							
Central banks	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	3,421	2,188	-	-	-	-	-
Hedging derivatives	763	684	-	-	-	-	-
Liabilities due to credit institutions	33,533	33,411	-	-	-	-	-
Customer deposits	230,393	218,886	-	-	-	-	-
Debt securities	21,639	21,639	-	-	-	-	-
Revaluation differences on rate hedged portfolios	726	726	-	-	-	-	-
Current tax liabilities	99	8	-	-	-	-	-
Deferred tax liabilities	1,494	95	-	-	-	-	-
Accruals and other liabilities	21,622	4,297	-	-	-	-	-
Liabilities related to non-current assets held for sale	-	-	-	-	-	-	-
Insurance company technical provisions and shadow accounting reserves	379,830	-	-	-	-	-	-
Provisions	1,025	440	-	-	-	-	-
Subordinated debt	10,187	2,823	-	-	-	-	-
Non-controlling interests	12,854	113	-	-	-	-	-
Equity attributable to owners of the parent	19,590	19,590	-	-	-	-	-
Share capital	6,585	6,585	-	-	-	-	-
Reserves and retained earnings	8,404	8,404	-	-	-	-	-
Gains and losses recognised directly in equity	445	445	-	-	-	-	-
Net profit for the period	4,155	4,155	-	-	-	-	-
Total liabilities and equity	**737,176**	**304,899**	**-**	**-**	**-**	**-**	**-**

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

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

There are no major differences between the book amounts and the regulatory exposures. Accordingly, the publication of the EU LI2 table (main sources of differences between regulatory exposure amounts and carrying values in financial statements) is not necessary.

4.2.2 Breakdown of regulatory own funds

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

Book equity attributable to owners of the parent (share capital, issue premium, reserves and profit for the year) less the proposed dividend distribution (in line with the ECB's recommendations, the approach used at 31 December 2020 involves provisioning the lower of (i) 15% of cumulative attributable net profit for 2019 and 2020 and (ii) 20 basis points of the CET1 ratio) 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 April 2014, November 2015, June and October 2016, January 2017 and October 2020.

Reconciliation of book equity and regulatory own funds

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Attributable equity and retained earnings (regulatory)	18,845,663	10,962,583
Dividend distribution plan	(179,892)	(351,200)
Deduction of goodwill and other intangible assets	(921,095)	(918,088)
Transition and other adjustments applicable to CET1	(283,236)	(293,546)
Common Equity Tier 1 (CET1)	**17,461,440**	**9,399,749**
Eligible AT1 capital instruments	750,000	750,000
Additional T1 capital	**750,000**	**750,000**
T1 capital	**18,211,440**	**10,149,749**
Capital instruments and subordinated loans	2,750,000	2,291,256
Other add-backs	-	-
T2 capital	**2,750,000**	**2,291,256**
Overall capital	**20,961,440**	**12,441,005**

The increase in CET1 in 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 2020 earnings and the lower prudential dividend provision as well as the rise in unrealised capital gains resulting from interest rate fluctuations and financial market volatility.

Detailed analysis of the composition of regulatory capital

(in € thousands)	2020		2019	
	Phased-in	Temporary provisions	Phased-in	Temporary provisions
COMMON EQUITY TIER 1 (CET1) CAPITAL: INSTRUMENTS AND RESERVES				
Capital instruments and related share premium accounts	6,831,466	-	4,863,127	-
of which ordinary shares	6,585,350	-	4,863,127	-
Retained earnings	1,401,694	-	1,229,943	-
Accumulated other comprehensive income (and other reserves)	6,457,390	-	4,089,062	-
Funds for general banking risk	-	-	-	-
Amount of qualifying items referred to in Article 484 (3), and the related share premium accounts subject to phase out from CET1	-	-	-	-
Minority interests (amount allowed in consolidated CET1)	-	-	-	-
Independently reviewed interim profits net of any foreseeable change or dividend	3,975,220	-	429,251	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**18,665,770**	**-**	**10,611,383**	**-**
TIER 1 (CET1) CAPITAL: REGULATORY ADJUSTMENTS	**-**	**-**	**-**	**-**
Additional Value adjustments	(203,303)	-	(184,875)	-
Intangible assets (net of related tax liability)	(896,413)	-	(907,778)	-
Empty set in the EU	-	-	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(24,682)	-	(10,310)	-
Fair value reserves related to gains or losses on cash flow hedges	(12,946)	-	(36,044)	-
Negative amounts resulting from the calculation of expected loss amounts	-	-	-	-
Any increase in equity that results from securitised assets	-	-	-	-
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	-	-	-
Defined benefit pension fund assets	-	-	-	-
Direct and indirect holdings by an institution of own CET1 instruments	-	-	-	-
Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-	-	-	-
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	-	-	-	-
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold and net of eligible short positions)	-	-	-	-
Empty set in the EU	-	-	-	-
Exposure amount of the following items which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-	-	-	-
of which qualifying holdings outside the financial sector	-	-	-	-
of which securitisation positions	-	-	-	-
of which unsettled trading positions	-	-	-	-
Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	-	-	-	-
Amount exceeding the 15% threshold	**-**	**-**	**-**	**-**
of which direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	-	-	-
Empty set in the EU	-	-	-	-
of which deferred tax assets arising from temporary differences	-	-	-	-
Losses for the current financial year	-	-	-	-
Foreseeable tax charges relating to CET1 items	-	-	-	-
Regulatory adjustments applied to Common Equity Tier 1 capital with regard to amounts subject to a pre-CCR treatment	-	-	-	-

(in € thousands)	2020		2019	
	Phased-in	Temporary provisions	Phased-in	Temporary provisions
Regulatory adjustments related to unrealised gains and losses pursuant to Articles 467 and 468	(66,986)	-	(72,628)	-
Amount to be deducted from or added to CET1 relating to the additional prudential filters and deductions provided for by pre-CCR requirements	-	-	-	-
Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	-	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(1,204,330)**	**-**	**(1,211,635)**	**-**
Common Equity Tier 1 (CET1)	**17,461,440**	**-**	**9,399,749**	**-**
ADDITIONAL TIER 1 (AT1) CAPITAL	**-**	**-**	**-**	
Capital instruments and related share premium accounts	750,000	-	750,000	-
of which classified as equity under applicable accounting standards	-	-	-	-
of which classified as liability under applicable accounting standards	750,000	-	750,000	-
Amount of qualifying items referred to in Article 484 (3), and the related share premium accounts subject to phase out from AT1	-	-	-	-
Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	-	-	-	-
of which instruments issued by subsidiaries subject to phase out	-	-	-	-
Additional Tier 1 (AT1) capital before regulatory adjustments	**750,000**	**-**	**750,000**	**-**
ADDITIONAL TIER 1 (AT1) CAPITAL: REGULATORY ADJUSTMENTS	**-**	**-**	**-**	**-**
Direct and indirect holdings by an institution of own AT1 instruments	-	-	-	-
Holdings of the AT1 instruments of financial sector entities where those entities have cross holdings with the institution designed to inflate artificially the own funds of the institution	-	-	-	-
Direct and indirect holdings by the institution of AT1 instruments of financial sector entities where the institution does not have a significant investment (amount exceeding the 10% threshold, net of eligible short positions)	-	-	-	-
Direct and indirect holdings by the institution of AT1 instruments of financial sector entities where the institution has a significant holding (exceeding the 10% threshold, net of eligible short positions)	-	-	-	-
Residual amounts deducted from Additional Tier 1 capital with regards to the deduction of Tier 2 capital during the transition period in accordance with Article 475 of Regulation (EU) no. 575/2013	-	-	-	-
Amount to be deducted from or added to Additional Tier 1 capital relating to the additional prudential filters and deductions provided for by pre-CCR requirements	-	-	-	-
Qualifying T2 deductions that exceed the T2 capital of the institution	-	-	-	-
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	**-**	**-**	**-**
Additional Tier 1 (AT1) capital	**750,000**	**-**	**750,000**	**-**
Tier 1 capital (CET1 + AT1)	**18,211,440**	**-**	**10,149,749**	**-**
TIER 2 CAPITAL (T2): INSTRUMENTS AND PROVISIONS	**-**	**-**	**-**	
Capital instruments and related share premium accounts	2,750,000	-	2,291,256	41,256
Amount of qualifying items referred to in Article 484 (5), and the related share premium accounts subject to phase out from T2	-	-	-	-
Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries or held by third parties	-	-	-	-
of which instruments issued by subsidiaries subject to phase out	-	-	-	-
Credit risk adjustments	-	-	-	-
Tier 2 capital before regulatory adjustments	**2,750,000**	**-**	**2,291,256**	**41,256**

(in € thousands)	2020		2019	
	Phased-in	Temporary provisions	Phased-in	Temporary provisions
TIER 2 (T2) CAPITAL: REGULATORY ADJUSTMENTS	-	-	-	-
Direct and indirect holdings by an institution of own T2 instruments and subordinated loans	-	-	-	-
Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution	-	-	-	-
Direct, indirect and synthetic holdings by the institution of T2 instruments and subordinate loans of financial sector entities where the institution does not have a significant investment (amount exceeding the 10% threshold, net of eligible short positions)	-	-	-	-
Direct, indirect and synthetic holdings by the institution of T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	-	-	-	-
Regulatory adjustments applied to Tier 2 capital with regard to amounts subject to pre-CCR and transitional treatment, subject to phase out pursuant to Regulation (EU) no. 575/2013	-	-	-	-
Residual amounts deducted from Tier 2 capital with regards to the deduction of Common Equity Tier 1 during the transition period in accordance with Article 472 of Regulation (EU) no. 575/2013	-	-	-	-
Residual amounts deducted from Tier 2 capital with regards to the deduction of Additional Tier 1 capital during the transition period in accordance with Article 475 of Regulation (EU) no. 575/2013	-	-	-	-
Amount to be deducted from or added to Tier 2 capital relating to the additional prudential filters and deductions provided for by pre-CCR requirements	-	-	-	-
Total regulatory adjustments to Tier 2 (T2) capital	-	-	-	-
Tier 2 (T2) capital	2,750,000	-	2,291,256	41,256
Total capital (T1 + T2)	20,961,440	-	12,441,005	41,256
Risk-weighted assets with regard to amounts subject to pre-CCR and transitional treatment, subject to phase out pursuant to Regulation (EU) no. 575/2013 (residual CRR amounts)	-	-	-	-
of which: "CET1 instruments of financial service entities" not deducted from CET1 (Regulation (EU) 575/2013, residual amounts)	-	-	-	-
of which: "Deferred tax assets that are dependent on future profitability and arise from temporary differences" not deducted from CET1 (Regulation (EU) 575/2013, residual amounts)	-	-	-	-
of which: "AT1 instruments of financial services entities" not deducted from AT1 (Regulation (EU) no. 575/2013, residual amounts)	-	-	-	-
of which: "T2 instruments of financial sector entities" not deducted from T2 items (Regulation (EU) no. 575/2013, residual amounts)	-	-	-	-
Total risk-weighted assets	85,531,949	-	76,866,865	-
Capital ratios and buffers	-	-	-	-
Common Equity Tier 1 capital (as a percentage of total risk exposure)	20.4%	-	12.2%	-
Tier 1 capital (as a percentage of total risk exposure)	21.3%	-	13.2%	-
Total capital (as a percentage of total risk exposure)	24.5%	-	16.2%	-
Institution-specific buffer requirement (CET1 requirement in accordance with Article 92 (1) point a, plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer, expressed as a percentage of risk exposure)	7.500%	-	7.500%	-
of which capital conservation buffer requirement	2.500%	-	2.500%	-
of which countercyclical buffer requirement	0.004%	-	-	-
of which systemic risk buffer requirement	-	-	-	-
of which Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	0.250%	-	0.250%	-
Common Equity Tier 1 capital available to meet buffers (as a percentage of risk exposure)	15.900%	-	7.7%	-
Non relevant in EU regulation	-	-	-	-
Non relevant in EU regulation	-	-	-	-

(in € thousands)	2020		2019	
	Phased-in	Temporary provisions	Phased-in	Temporary provisions
Non relevant in EU regulation	-	-	-	-
Amounts below the thresholds for deduction (before risk weighting)	**-**	**-**	**-**	**-**
Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	475,234	-	541,426	-
Direct and indirect holdings by the institution of the CET1 of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	114,427	-	128,114	-
Empty set in the EU	-	-	-	-
Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	351,229	-	200,902	-
Applicable caps on the inclusion of provisions in Tier 2	**-**	**-**	**-**	**-**
Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to application of the cap)	-	-	-	-
Cap on inclusion of credit risk adjustments in T2 under standardised approach	75,291,856	-	66,134,329	-
Credit risk adjustments included in T2 in respect of exposures subject to the internal ratings-based approach (prior to application of the cap)	-	-	-	-
Cap for inclusion of credit risk adjustments in T2 under the internal-ratings based approach	-	-	-	-
Equity instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)	**-**	**-**	**-**	**-**
Current cap on CET1 instruments subject to phase-out arrangements	-	-	-	-
Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-
Current cap on AT1 instruments subject to phase-out arrangements	-	-	-	-
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	-	-	-
Current cap on T2 instruments subject to phase-out arrangements	-	-	-	-
Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-	-	-

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

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

Super subordinated securities

Issuer	La Banque Postale		
ISIN	FR0011855865	FR0013054913	FR0013181898
Law governing the instrument	French law	French law	French law
REGULATORY TREATMENT			
Transitory CRR regulations	T2 capital	T2 capital	T2 capital
CRR rules after transition	T2 capital	T2 capital	T2 capital
Level	Consolidated	Consolidated	Consolidated
Type of instruments	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)
Amount recognised in regulatory equity (in € thousands)	750,000	750,000	500,000
Nominal instrument value (in %)	100	100	100
Issue price (in %)	99.705	99.623	99.97
Redemption price (in %)	100	100	100
Accounting category	Liabilities at amortised cost	Liabilities at amortised cost	Liabilities at amortised cost
Date of initial issue	23 Apr. 2014	19 Nov. 2015	09 Jun. 2016
Term	Fixed-term	Fixed-term	Fixed-term
Initial maturity	23 Apr. 2026	19 Nov. 2027	09 Jun. 2028
Buyback option subject to the prior approval of the supervisory authority	Yes	Yes	No
Optional date for exercising the option	23 Apr. 2021	19 Nov. 2022	-
Subsequent dates	-	-	-
COUPONS/DIVIDENDS			
Dividend/coupon	Fixed	Fixed	Fixed
Coupon rate	2.75%	2.75%	3.00%
Existence of a mechanism to suspend dividend/coupon payments	No	No	No
Full discretion, partial discretion or mandatory *(in terms of schedule)*	Mandatory	Mandatory	Mandatory
Full discretion, partial discretion or mandatory *(in terms of amount)*	Mandatory	Mandatory	Mandatory
Existence of a step-up mechanism or another buyback incentive	No	No	No
Cumulative or non-cumulative	No	No	No
Convertible or non-convertible	No	No	No
If convertible, conversion trigger	-	-	-
If fully or partially convertible	-	-	-
If convertible, conversion rate	-	-	-
If convertible, conversion mandatory or optional	-	-	-
If convertible, type of instrument converted to	-	-	-
If convertible, issuer of the instrument converted to	-	-	-
Characteristics in terms of capital reduction	-	-	-
Existence of non-compliant characteristics	No	No	-

Issuer	La Banque Postale			
ISIN	FR0013207354	FR0013181898	FR0013461795	FR00140009W6
Law governing the instrument	French law	French law	French law	French law
REGULATORY TREATMENT				
Transitory CRR regulations	T2 capital	T2 capital	Additional Tier 1 capital	T2 capital
CRR rules after transition	T2 capital	T2 capital	Additional Tier 1 capital	T2 capital
Level	Consolidated	Consolidated	Consolidated	Consolidated
Type of instruments	Tier 2 subordinated securities (Art. 63)	Tier 2 subordinated securities (Art. 63)	Tier 1 super subordinated securities (Art. 52)	Tier 2 subordinated securities (Art. 63)
Amount recognised in regulatory equity (in € thousands)	100,000	150,000	750,000	500,000
Nominal instrument value (in %)	100	100	100	100
Issue price (in %)	99.593	101.510	100.000	99.868
Redemption price (in %)	100	100	100	-
Accounting category	Liabilities at amortised cost	Liabilities at amortised cost	Equity instruments issued	Liabilities at amortised cost
Date of initial issue	05 Oct. 2016	16 Jan. 2017	20 Nov. 2019	26 Oct. 2020
Term	Fixed-term	Fixed-term	Indefinite term	Fixed-term
Initial maturity	05.10.2028	09.06.2028	No maturity date	26.01.2031
Buyback option subject to the prior approval of the supervisory authority	No	No	No	Yes
Optional date for exercising the option	-	-	-	26 Oct. 2025
Subsequent dates	-	-	-	Until 26 Jan. 2026 (inclusive)
COUPONS/DIVIDENDS				
Dividend/coupon	Fixed	Fixed	Fixed	Adjustable
Coupon rate	2.25%	3.00%	3.875%	0.875%
Existence of a mechanism to suspend dividend/coupon payments	No	No	Yes	No
Full discretion, partial discretion or mandatory (in terms of schedule)	Mandatory	Mandatory	Mandatory	Mandatory
Full discretion, partial discretion or mandatory (in terms of amount)	Mandatory	Mandatory	Full discretion	Mandatory
Existence of a step-up mechanism or another buyback incentive	No	No	No	No
Cumulative or non-cumulative	No	No	No	No
Convertible or non-convertible	No	No	No	No
If convertible, conversion trigger	-	-	-	-
If fully or partially convertible	-	-	-	-
If convertible, conversion rate	-	-	-	-
If convertible, conversion mandatory or optional	-	-	-	-
	-	-	-	-
If convertible, type of instrument converted to	-	-	-	-
If convertible, issuer of the instrument converted to	-	-	-	-
Characteristics in terms of capital reduction	-	-	-	-
Existence of non-compliant characteristics	No	No	No	No

4.2.3 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.

Risk-weighted assets (RWA) totalled €85.5 billion at 31 December 2020, a rise of €8.7 billion, or 11.3%, on the previous year.

This increase in RWA is mainly attributable to the increase in La Banque Postale's stake in CNP Assurances, and to the rise in credit risk-weighted assets, in line with trends in La Banque Postale's lending business.

Credit risk-weighted assets (including exposures in respect of counterparty risk) represented €75.6 billion at 31 December 2020, a rise of €9.3 billion, or 14.0%, on the previous year.

Market risk-weighted assets were down by €0.4 billion, or 34.5%. Operational risk-weighted assets were down by €0.2 billion, or 2.5%.

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

	RWA		Minimum capital requirements
(in € millions)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020
Credit risk (excluding CCR)	**73,843**	**64,453**	**5,907**
of which standardised approach	73,843	64,453	5,907
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)	**1,688**	**1,866**	**135**
of which market price method	1,388	1,672	111
of which initial exposure method	-	-	-
of which standardised approach	-	-	-
of which internal models method (IMM)	-	-	-
of which amount of risk exposure for contributions to the default fund of a central counterparty	7	7	1
of which credit valuation adjustment (CVA)	293	187	23
Settlement risk	**-**	**-**	**-**
Bank portfolio securitisation exposures (after cap)	**54**	**2**	**4**
of which IRB approach	-	-	-
of which NI supervisory formula method (SFM)	54	1	4
of which internal ratings-based approach (IRB)	-	-	-
of which standardised approach	-	1	-
Market risk	**683**	**1,042**	**55**
of which standardised approach	683	1,042	55
of which IMA	-	-	-
Major risks	-	-	-
Operational risk	**9,265**	**9,504**	**741**
of which basic indicator approach	-	-	-
of which standardised approach	9,265	9,504	741
of which advanced measurement approach	-	-	-
Amounts below the deduction thresholds (subject to a risk weighting of 250%)	**311**	**292**	**25**
Floor adjustment	-	-	-
TOTAL	**85,532**	**76,867**	**6,843**

Overview of risk-weighted assets by asset class

(in € millions)	31 Dec. 2020 Risk-weighted assets	31 Dec. 2020 Capital requirements	31 Dec. 2019 Risk-weighted assets
Credit risk (excluding counterparty risk)	**73,897**	**5,912**	**64,455**
of which standardised approach	73,897	5,912	64,455
▶ Central governments and central banks	18	1	13
▶ Regional governments and local authorities	2,185	175	1,986
▶ Public sector entities	236	19	174
▶ Multilateral development banks	-	-	-
▶ International organisations	-	-	-
▶ Institutions	10,993	879	11,112
▶ Corporate	18,902	1,512	19,304
▶ Retail	10,440	835	11,011
▶ Secured by mortgages on immovable property	11,376	910	10,348
▶ Exposures in default	710	57	608
▶ Items associated with particularly high risk	1,460	117	1,863
▶ Covered bonds	235	19	295
▶ Receivables with institutions and corporates with a short-term credit assessment	-	-	-
▶ Undertakings for collective investment	260	21	398
▶ Equities	14,386	1,151	5,091
▶ Other items	2,643	211	2,249
▶ Securitisations	54	4	2
of which internal model-based approach	-	-	-
Counterparty risk	**1,688**	**135**	**1,866**
of which standardised approach	1,395	112	1,672
of which at market price	-	-	-
of which initial risk	-	-	-
of which internal models approach	-	-	-
of which amount for contribution to the failure of a central counterparty	-	-	7
including CVA	293	23	187
Market risk	683	55	1,042
Operational risk	9,265	741	9,504
TOTAL	**85,532**	**6,843**	**76,866**

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

(in € millions)	Value
Holdings of equity instruments of a financial sector entity in which the institution holds a significant investment not deducted from capital (prior to risk weighting)	12,262
TOTAL RWA	**12,262**

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), subsequently amended by Directive (EU) 2019/878 (CRD V) and Regulation (EU) 2019/876 (CRR2). The effective date of certain provisions set out in CRR2 were brought forward following the adoption of Delegated Regulation (EU) 2020/2176 (known as the "CRR Quick Fix").

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 (T2).

In total, three levels of capital ratio are calculated:

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

4.2.4.1 Regulatory own funds

Following the Supervisory Review and Evaluation Process (SREP) carried out by the ECB, the ECB notified La Banque Postale of its total SREP capital requirement (TSCR) applicable on a consolidated basis since 1 April 2020. This SREP 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 the context of the COVID-19 pandemic, 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, anticipating the application of Article 104 *bis* of CRD V.

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 cancelled by way of a decision by the French high council for financial stability (*Haut Conseil de Stabilité Financière* – HCSF). In the context of the Covid-19 pandemic, the HCSF decided the full release of this buffer requirement, applicable to relevant exposures in France since 2 April 2020 at a rate of 0%. While the buffer requirement was cancelled by most relevant authorities, it remains applicable in several jurisdictions, namely Bulgaria, Luxembourg, Norway, the Czech Republic, Slovakia and Hong Kong. La Banque Postale's specific countercyclical buffer rate was less than 0.01% at 31 December 2020.

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. Regulation 2020/83 ("CRR Quick Fix") adopted on 24 June 2020 brought forward the effective date of certain CRR2 measures and introduced new provisions, including:

- extension of the transitional arrangements for mitigating the impact on CET1 of the first-time application of IFRS 9 (option not exercised by La Banque Postale);
- temporary exclusion of certain exposures to central banks from the total leverage ratio exposure, subject to approval by the institution's regulator (not requested by La Banque Postale);
- application of the exemption from deductions of prudently valued software assets from CET1, subject to certain conditions (the approach is defined in Delegated Regulation 2020/2176);
- 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 31 December 2020

	31 December 2020	2 April 2020
Pillar I requirement	4.50%	4.50%
Pillar II requirement (P2R)	1.125%	1.125%
Capital conservation buffer (CCB) requirement	2.500%	2.500%
Other systemically important institutions buffer requirement	0.250%	0.250%
Countercyclical buffer (CCyB) requirement	-	-
Minimum CET1 ratio requirement	**8.375%**	**8.375%**

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 8.2 points in 2020.

This rise mainly reflected the increase in equity following La Poste's contribution of CNP Assurances shares to La Banque Postale, which increased in shareholding in the insurer from 20.15% to 62.84%. This led to a change in the method used to consolidate CNP Assurances, which is now fully consolidated as opposed to equity-accounted previously. The first-time full consolidation of CNP Assurances generated badwill. The increase also reflects the rise in OCI reserves (excluding equity-accounted companies) and the decrease in the dividend provision following the ECB's recommendations in this regard.

The increase in equity was countered by a rise in risk-weighted assets, related mainly to the increase in the shareholding in CNP Assurances and its equity-accounted value.

- 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 % RWA)	31 December 2020	31 December 2019
Common Equity Tier 1 capital ratio	20.4%	12.2%
Tier 1 capital ratio	21.3%	13.2%
Capital ratio	**24.5%**	**16.2%**

4.2.4.3 Leverage ratio

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

This ratio is currently calculated for information purposes but will become a regulatory requirement as from 1 June 2021 upon the entry into force of the Regulation (EU) 2019/876 (CRR2). The minimum requirement will be 3% of Tier 1 capital.

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 regulator taking account of a partial exclusion of the exposure to centralised savings since the government order of June 2019.

However, Article 429 *bis* of CRR2 applicable with effect from 28 June 2021 provides an exemption by nature (and no longer based on authorisation) for all exposures related to centralised savings.

Within the scope of the various "quick fix" measures adopted on 19 June 2020 in response to the economic slowdown caused by the Covid-19 pandemic, the European Parliament allowed central bank exposures to be excluded from the calculation of the leverage ratio exposure. This follows a decision of the supervisory authority.

At this stage, La Banque Postale has not applied to the ECB to benefit from this exemption.

At 31 December 2020, the leverage ratio excluding 50% of centralised savings was 6.1%.

Throughout the year, La Banque Postale respected the forthcoming regulatory level of 3%.

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

(in € millions)	31 December 2020 (with exclusion of 50% of centralised savings)	31 December 2019 (with exclusion of 50% of centralised savings)
TOTAL OF THE IFRS BALANCE SHEET ACCORDING TO PUBLISHED FINANCIAL STATEMENTS	**737**	**272**
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	*(432)*	*(3)*
Adjustments for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measurement	-	-
Adjustments for financial derivatives	*1,195*	*1,164*
Adjustments for securities financing transactions (repurchase transactions and other types of collateralised lending)	*3,304*	*4,731*
Adjustments for off-balance sheet items	*14,718*	*14,911*
Other adjustments	*277,899*	*238,030*
EXPOSURE TO THE LEVERAGE RATIO	**297,421**	**259,105**

Breakdown of exposures

(in € millions)	31 December 2020 (with exclusion of 50% of centralised savings)	31 December 2019 (with delegated act and application of temporary provisions)
Balance sheet item exposure		
▸ Balance sheet items (excluding derivatives and securities financing transactions)	258,611	225,445
▸ Assets deducted for the purposes of calculating Tier 1 capital	(1,137)	(1,139)
TOTAL BALANCE SHEET EXPOSURES	**257,474**	**224,306**
Derivative exposures		
▸ Replacement cost associated with all derivatives transactions (net of the eligible cash variation margin)	2,997	2,904
▸ Add-on amounts for PFE (Potential Future Exposure) associated with all derivatives transactions	1,195	1,164
▸ Gross amount including collateral provided on derivatives where deducted from the balance sheet assets pursuant to the applicable accounting basis	(753)	(1,059)
▸ Deductions of receivable assets for the cash variation margin provided in derivatives transactions	(441)	(842)
▸ Adjusted effective notional amount of credit derivatives sold	-	-
▸ Offsetting of adjusted effective notionals and add-on deductions for credit derivatives sold	-	-
TOTAL DERIVATIVES EXPOSURES	**2,999**	**2,167**
Exposure to securities financing transactions (SFT)		
▸ Gross SFT assets (without offsetting), after adjusting for transactions recognised as sales	18,926	12,990
▸ Offset amounts of cash payables and cash receivables of gross SFT assets	-	-
▸ Exposure to counterparty credit risk for SFT assets	3,304	4,731
▸ Exposure to transactions where the bank operates as an agent	-	-
TOTAL SFT EXPOSURES	**22,230**	**17,722**
Other off-balance sheet exposures		
▸ Off-balance sheet exposures at gross notional amount	29,074	29,364
▸ Adjustments for conversion to credit equivalent amounts	(14,356)	(14,454)
OFF-BALANCE SHEET ITEMS	**14,718**	**14,911**
Capital and total exposure		
▸ Tier 1 capital	18,143	10,150
▸ Total exposure	297,421	259,105
Leverage ratio		
▸ Basel III leverage ratio	6.1%	3.9%

Breakdown of balance sheet exposures

(in € millions)	31 December 2020 (with exclusion of 50% of centralised savings)	31 December 2019 (with delegated act and application of temporary provisions)
Total balance sheet exposures (except for derivatives, SFT and exempted exposures), including:	**258,611**	**225,445**
▸ Trading book exposures	3,924	6,646
Banking book exposures, including:	**254,687**	**218,798**
▸ Covered bonds	2,354	2,948
▸ Exposures treated as sovereign	106,206	88,943
▸ Exposure to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereign borrowers	7,378	6,478
▸ Institutions	9,044	8,331
▸ Exposures secured by mortgages on real estate	27,546	25,220
▸ Retail exposures	53,199	53,274
▸ Corporate	27,548	20,873
▸ Exposures in default	1,009	842
▸ Other exposures (particularly shares, securitisations and other non-credit obligation assets)	19,720	11,047

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 allocation of capital 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 internal 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 by the Executive Board before being reported to the Supervisory Board and its Risk Committee.

Governance

This planning process is implemented by the Financial Department with the support of the Capital Management Committee, which meets five to six times per year, chaired by the Chairman of the Executive Board. The Committee is responsible for:

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

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.

4.2.6 Indicators of global systemic importance

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

(in € millions)		31 Dec. 2020
Size	**Total assets**	**304,899**
Importance (including substitutability/ financial system infrastructure)	Value of domestic payment transactions	180,902
	Private sector deposits from depositors in the EU	196,770
	Private sector loans to recipients in the EU	102,282
Complexity/cross-border activity	Value of OTC derivatives (notional)	51,736
	Cross-jurisdictional liabilities	8,713
	Cross-jurisdictional claims	19,980
Interconnectedness	Intra financial system liabilities	45,650
	Intra financial system assets	33,404
	Outstanding debt securities outstanding	25,677

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

The risk management system has three lines of defence that constitute the general internal control framework.

Further details are given in Section 3.5.7 "Internal control" above.

4.3.1.2 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 Group's 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.

These committees are:

- **for the Supervisory Board:** the Supervisory Board Risk Committee meets at least once every two months;
- **for 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. This Committee meets on a monthly basis,
  - the Insurance Strategy Committee: in accordance with the regulatory requirements for additional supervision of its 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 additional supervision is carried out by the Conglomerate Committee.

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:

- ALM Committee (Asset and Liability Management);
- CCM Committee (Group Capital Management);
- Information Systems and Major Projects Strategy Committee.

In the second half of 2020, the Internal Control Coordination and Ethics Committee (ICCEC) was replaced by twice-monthly sessions of the Executive Board focused exclusively on internal control matters.

Lastly, 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.

For **credit risks**:

- 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;
- 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;
- 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 in certain related risk metrics, as well as a summary of the lending decisions taken during the period under review, a status report on the use of lending limits set for the Commercial Banking portfolio, and a status report on key loans subject to additional vigilance (loans recorded on the watchlist or involving customers in difficulties, etc.).

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).

For **financial risks**:

- 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.

For **insurance risks**:

- 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.

For **operational risks**:

- 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;
- 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 La Banque Postale 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;
- 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 loss of more than €100,000 per risk.

For **Cross-functional Committees**

- Risk Management Rules Validation Committee (CVRGR): 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 La Banque Postale 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;
- Capital Ratio Validation Committee: this Risk Organisation Committee meets once a quarter and is tasked with validating La Banque Postale Group's capital ratio;
- Model Risk Management Committee: this GRMC sub-committee meets at the request of its Chairman or on the proposal of its secretary. Its role is to carry out permanent controls on the methodology used for all of La Banque Postale's significant models, including for its subsidiaries, in order to effectively manage the risks related to those models.

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

- Subsidiary Risk Management Committee: like the meetings of the La Banque Postale 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).
- Risk and Controls Committee: this entity-level 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.
- 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.

4.3.1.3 Reinforcement of the Group's governance and risk management during the COVID-19 crisis

During the COVID-19 crisis, and particularly during the first 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 and businesses, government-backed loans and setting up special loans for professionals, local authorities and public hospitals, etc.).

During the first phase of the lockdown and when the lockdown restrictions were first lifted, the Group Risk Department reviewed all significant events and analysed risks relating to the COVID-19 pandemic which it considered should be reported to the Executive Board and Executive Committee. The frequency of these reviews and analyses was adapted to the prevailing situation: they initially took place on a weekly basis, then on a twice-weekly basis and finally on a monthly basis, as deemed appropriate. They identified certain distortions in risk indicators, potential quantified impacts on lending portfolios, analyses of recent regulatory publications and significant events in terms of operational risk and were also communicated with the same frequency to the European Single Supervisory Mechanism during dedicated discussions.

4.3.2 Regulatory framework

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

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

La Banque Postale's internal control is governed by the French Monetary and Financial Code, by the government order on internal control of 3 November 2014, and by the guidelines of the European Banking Authority dated 21 March 2018 (EBA/GL/2017/11).

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

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

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

European and French regulations

Prudential regulations incorporate the notion of institutions that are "systemically important" for the economy, the aim being to adjust the governance, risk management and control and minimum capital requirements applicable to those institutions. La Banque Postale Group has also been identified as an "other systemically important" institution.

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

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

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

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

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

Application of the CRD IV and the CRR

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

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

These rules were largely revised by CRR II in relation to counterparty and credit risk/SA-CCR and market risk. However, the new rules for market risk will only apply as a reporting framework until 2023.

Besides the risks mentioned above, La Banque Postale also strives to comply with:

- credit risk rules, as amended 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, which will be based on Tier 1 instead of eligible capital (as provided for by CRR II);
- the thresholds and calculation rules for the Net Stable Funding Ratio (NSFR).

La Banque Postale is also working to ensure that it is able to produce the requisite information on the NSFR and leverage ratios both for regulators (declarations) and investors (publications, Pillar III).

Binding minimum requirements will apply to the NSFR and leverage ratios when the main CRR II measures come into force in June 2021. La Banque Postale is also calibrating its indicators and setting associated risk limits.

Since the publication of the European banking package on 7 June 2019, work continues apace to round out the regulatory framework with "level 2" texts currently in preparation concerning the different mandates entrusted to:

- the EBA in terms of counterparty credit risk/SA-CCR for La Banque Postale, Pillar III and reporting requirements, and large exposures;
- the European Commission for market risks.

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, with:

- 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.

These will be supplemented by various projects currently in progress, including:

- the new ACPR and AMF mechanism for monitoring and evaluating climate change commitments undertaken by issuers;
- published scenarios for prospectively assessing climate risks.

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.

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

It will also monitor any possible changes in regulations relating to securitisation transactions.

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.

Consideration of market recommendations on benchmarks and Brexit

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

It also took the necessary measures to prepare for Brexit.

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 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 additional supervision is carried out by the Conglomerate Committee.

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

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

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

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;
- recommending the cancellation of dividend payments until at least 1 January 2021;
- providing the possibility of temporarily exempting companies from complying with the requirements of P2G and the capital conservation buffer;
- lowering the countercyclical buffer to zero;
- providing for specific provisions regarding exposures subject to repayment holidays;
- setting up government-backed loans.

4.3.3 Risk mapping

La Banque Postale has a Risk Taxonomy representing the framework of risk factors to which the Group is exposed. Its purpose is to create a shared risk language across all of the La Banque Postale 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, etc.).

This risk map sets out and classifies all of the risks to which the conglomerate is exposed. It was updated following the link-up with CNP Assurances to ensure that La Banque Postale Group is appropriately covered in terms of insurance risks. This map was presented to the Supervisory Board's Risk Committee in April 2020.

4.3.4 Group Risk Appetite Statement

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

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

The Risk Appetite Statement is part of the Risk Appetite Framework (RAF) drawn up by La Banque Postale Group.

Risk Appetite Framework

The Risk Appetite Framework seeks to achieve a balance between:

- acceptable levels of risk, *i.e.*, which allow commercial and strategic objectives to be achieved, while complying with applicable laws and regulations and carrying out business in a healthy and sustainable manner in line with La Banque Postale Group's values and purpose;
- the external environment and emerging risks in the definition of La Banque Postale Group's growth strategy.

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 La Banque Postale Group's risk appetite and associated limits.

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

- monthly by the 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 La Banque Postale Group entities and employees.

Major changes in the Group's Risk Appetite System in 2020

In 2020 the Group Risk Department continued its work to ensure the "vertical" consistency of the entire risk management system, based on:

- **a Risk Appetite Statement (RAS), validated by the Supervisory Board in December 2019, along with the Risk Appetite Dashboard (RAD)**, which evolved in line with the budget exercise as follows:
  - risks classified as "critical" and "major" in La Banque Postale Group's risk map were incorporated into the RAS using quantitative (indicators) or qualitative (oversight mechanisms) inputs,
  - new indicators were introduced at the time of amending the RAS in June 2020 and following La Banque Postale's acquisition of a controlling interest in CNP Assurances, in order to reflect insurance risks and risks associated with setting up a learning phase for indicators related to CNP Assurances entities. At the end of 2020, the RAS for 2021 was updated to incorporate new indicators covering scopes specific to CNP Assurances, the conglomerate, and new types of risks related to CSR and climate change, non-compliance risk and risks related to audit recommendations;
- **a Group Risk Management Operational Policy (RMOP)** that was approved by the Executive Board in August 2020, to ensure the deployment of the 2020 RAS for which the changes concerned:
  - full consolidation of CNP Assurances within La Banque Postale Group,
  - the incorporation of the limits by subsidiary, for the indicators used in their risk appetite,
  - the introduction of new indicators deploying, among others, the new RAS indicators (*e.g.*, breakdown of RWA by business line) and change in Risk Management Policy sector limits, asset financing and project limits, and local public sector limits.

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

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

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

4.3.5.1 Cross-entity risk management systems

Standards and methods

In order to ensure consistency in decision-making, measurement, management and monitoring, the concepts and standards that apply to all La Banque Postale Group entities and business activities, particularly those relating to prudential regulation, are defined by the Group Risk Department and validated by the Risk Management Rules Validation Committee (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 models are approved by the Model Risk Management 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 La Banque Postale Group and to enable them to track its risk profile, compliance with risk appetite and with prudential "risks" reporting requirements to the competent authorities (COREP, Large Exposures, International Liabilities, LCR, NSFR, ALMM, STE, CONGLOMER, etc.), the Group Risk Department centralises 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 Capital Ratio 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 teams of the La Banque Postale Group.

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 La Banque Postale Group has a monitoring system responsible for following the drafting of laws and regulations that could affect its business activity and/or its strategy when they enter into force. The objective is that, whatever the field of application (consumer protection, AML/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 La Banque Postale Group monitors consultations conducted by international authorities, which are primarily the Financial Stability Board (FSB) or the Basel Committee, ahead of their future transposition into EU law.

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

Stress tests

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

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

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

The stress test system covers two major categories of work:

- macro/global stress tests: these tests mainly address the issue of La Banque Postale's solvency. The types of tests, methods and performance terms and conditions used in these internal and regulatory tests are similar to those drawn up recently for the banking industry, notably the EBA stress tests;
- specific and additional stress tests appropriate to each business activity/subsidiary (notably the insurance, asset management and consumer loans businesses) or by type of risk (credit, market and operational). The stress test system benefits from a 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 and business activity;
- the Stress Test Operational Committee, developed to respond to this type of activity, manages the operational implementation of the stress test programme; it verifies that it is performed correctly at each stage. It also ensures, insofar as possible, the consistency of assumptions and the coordination of work.

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

4.3.5.3 Credit risk systems

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

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

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

4.3.5.4 Financial risk 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 La Banque Postale Group's balance sheet and, therefore, its solvency, immediately or at a future time.

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

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

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

4.3.5.5 Operational risk 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 La Banque Postale 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 Operational Risk Department has a dedicated organisation for carrying out its duties.

The organisational framework set up within La Banque Postale Group for managing operational risk is based on the principles defined in the Risk Management Policy and the La Banque Postale Group 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 La Banque Postale Group to ensure compliance with its Risk Appetite Framework (see Section 3.5.7 "Internal control" of this Universal Registration Document).

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 its 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.

As part of the CNP Assurances integration and consolidation project, work is being conducted during the present "transition" period to define the operational procedures for deploying La Banque Postale's operational risk management system within CNP Assurances.

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

A description of the risk management system is provided in Section 4.8.2 "Non-compliance risks" below. Non-compliance risks are considered to come under the operational risk family and are therefore subject as a minimum to the corresponding risk management framework.

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 the risks to which the insurance activities of La Banque Postale Group are exposed, including activities entrusted to its partners in the insurance sector.

Further information is provided on the insurance risk system and additional supervision of the conglomerate in Section 4.7 "Insurance risks and additional supervision of the conglomerate" below.

4.3.5.8 Risk control system

The Permanent Control Department has reported to the Group Risk Department since January 2018. This department is in charge of carrying out second-tier controls of operational risks including the risks of non-compliance across the entire scope of La Banque Postale Group.

The Permanent Control Department is also in charge of the second-tier controls of the centralised functions of the Group Risk Department, and to this end it:

- ensures that the 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 La Banque Postale Group's 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 2020, 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 organisations:

- a Deputy Head of Permanent Control is in charge of overseeing controls in the Retail Banking networks and is responsible for the hierarchical management of the Banking Controllers Organisation, through the Territorial Heads of Control. They are responsible for the banking controls carried out within the distribution networks (retail and legal entities) and supervises the Banking Controllers Organisation;
- the other Deputy Head of Permanent Control is in charge of managing the Permanent Control Department's independent specialised controllers (Credit, Financial Security, Financial Markets, Financial Risks, Regulatory Production, Operational Risk Management). This Deputy Head of Permanent Control is also in charge of managing the support units of the various control bodies within the entities and subsidiaries, 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 Organisation, the head of which reports directly to the Head of Permanent Control, is in charge of the operational management of permanent controls, which involves implementing a uniform and efficient control system for the La Banque Postale 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 in La Banque Postale's head office departments, 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 La Banque Postale Group's Critical and Important services. An annual second-tier control campaign for outsourced essential business is carried out by the subsidiaries' various control bodies and the Risk Management Departments of the entities that form part of La Banque Postale's head office (for those concerned). The Permanent Control Department consolidates the results of these second-tier controls in coordination with the Operational Risk 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 System (RAS), the Risk Management Operational Policy (RMOP) and the Risk Organisation Charter are implemented via operational rules for managing product risks by business activity/customer category or by business line counterparty. The risk management rules 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 the lending authority given to the sales teams in accordance with Article 112 of the government order of 3 November. The principle is for lending decisions to be made by the business unit and reviewed by the risk function if required by the risk level or financing amount involved. The Risk Organisation has been fully deployed at the regional level, and has region-specific dashboards to monitor and manage risks by staying close to the 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 lending business is highly concentrated in France.

For retail credit, the Group Risk Department is responsible on behalf of La Banque Postale Group for:

- defining the rules and tools governing risk-taking and the management of inherent risks;
- monitoring the effective application of these rules and the proper functioning of the tools at the Group level, i.e., La Banque Postale SA, La Banque Postale Consumer Finance, 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 Risk Committee, which is the highest delegating body within La Banque Postale Group with respect to granting loans to individuals.

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

These "game rules" fall outside the scope of the Group Risk Department's authority and are submitted for approval to the Group Risk Management Committee (chaired by a member of the Executive Board) or to 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.

Concerning the subsidiaries, the Heads of Risk Management at La Banque Postale Consumer Finance, BPE and SOFIAP report to the Head of Group Risk.

4.4.2.2 Credit risk on business loans

La Banque Postale's Corporate and Investment Banking Division carries out two types of business credit activities:

- as part of its commercial activity to finance the economy, La Banque Postale, through its Corporate and Regional Development Department (DEDT), and its specialised credit subsidiary (La Banque Postale Leasing et Factoring – LBP L&F) serves the following customer segments: Businesses, Professionals, Non-Profits, Large Corporates, and Local Public Sector (local authorities, public hospitals, social landlords);
- as part of its Corporate and Investment Banking (CIB) 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, undrawn portion of confirmed lines of credit, etc.).

Approval process

The investigation and decision-making process is based on eligibility conditions, analysis, and determining a specific financial score for each client segment.

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

- lending authority matrices adapted to each customer segment and each business line;
- individual and overall risk monitoring.

The financing offered to the different customer segments is controlled by the:

- Risk Management Operational Policies, approved by the Executive Board via the Group Risk Management Committee;
- Risk Management Rules approved by the Group Risk Department, via the Risk Management Rules Validation Committee.

Investment and financing limits

In investment matters, third parties are systematically rated and allocated an individual limit which is intended to restrict the total commitment. Where applicable, these individual limits are supplemented by so-called group limits, which govern exposure to a group of third parties that are considered to belong to a single business group.

La Banque Postale's investment policy for Sovereigns, Banks, Insurance Companies, Large Companies, and more recently securitisation positions, is limited to issuers and counterparties in the investment grade category, unless authorised by the Group Risk Department 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.

Financing limits are defined primarily as described below:

- concentration risk by counterparty:
  - individual limits, defining La Banque Postale's maximum acceptable exposure to a counterparty,
  - group limits, defining La Banque Postale's maximum acceptable exposure to a business group,
  - specific limits applied to financial institutions,
  - limits by credit rating for unsecured exposures, defining La Banque Postale's maximum acceptable exposure based on credit quality,
  - limits by "circle", defining La Banque Postale's maximum acceptable exposure by type of financial institution,
  - limits by geography, to keep track of portfolio concentration.

The individual and group limits are determined by taking into account analyses, internal credit scores, and the regulations applicable to large exposures. They are consistent with the specific features of the Group's equity and of its balance sheet as a whole;

- concentration risk by sector:

The following limits have been set in order to monitor the concentration of credit risks in the commercial banking portfolio:

  - two concentration limits (the main business sector and the top three business sectors as a percentage of the commercial banking portfolio),
  - a limit by business sector, expressed in terms of gross exposure (aggregate exposure and for the two business units, Corporate & Regional Development and Corporate & Investment Banking),
  - a limit on the size of the commercial banking portfolio;
- syndication risk: the Syndication Risk Management Policy sets an overall syndication limit at the level of La Banque Postale and a syndication limit for each of the three business lines authorised to take part in syndication deals (Asset & Project Financing, Structured Finance and Real Estate Financing). Compliance with these limits is overseen by the Syndication Monitoring Committee which meets monthly under the aegis and Chairmanship of the Group Risk Department.

The Group Risk Department is responsible for:

- operational application of the limits;
- deploying adequate attribution tools;
- monitoring internal scores and limits.

4.4.3 Exposure to credit risk

4.4.3.1 Overview of credit risk exposure

Total and average net exposures (Banking activities)

(in € millions)	Net book value of exposures at the end of the financial period	Average net exposures during the financial period
Central governments and central banks	-	-
Institutions	-	-
Corporate	-	-
▸ *Of which: Specialised financing*	-	-
▸ *Of which: SME*	-	-
Retail customers	-	-
▸ *Exposures secured by real estate*	-	-
▸ SME	-	-
▸ Non-SME	-	-
▸ *Eligible renewable exposures*	-	-
▸ *Other - retail customers*	-	-
▸ SME	-	-
▸ Non-SME	-	-
Equities	-	-
Total IRB approach	**-**	**-**
Central governments and central banks	148,559	140,639
Regional governments and local authorities	12,416	11,876
Public sector entities	1,372	1,184
Multilateral development banks	-	-
International organisations	8	5
Institutions	47,894	53,415
Corporate	28,467	27,934
▸ *Of which: SME*	*4,390*	*4,183*
Retail customers	21,581	20,087
▸ *Of which: SME*	*1,513*	*1,483*
Exposures secured by mortgages on real estate	27,892	26,896
▸ *Of which: SME*	*4,056*	*3,729*
Exposures in default	680	693
Items associated with a particularly high risk	1,087	1,108
Covered bonds	2,356	2,735
Receivables from institutions and companies subject to one of the companies subject to a short-term credit evaluation	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	264	268
Equities exposure	13,635	12,710
Other exposures	3,926	3,996
Total standard approach	**310,137**	**303,547**
TOTAL	**310,137**	**303,547**

The data presented in the table above include the effects of Basel substitution in the classification of exposure: therefore, the outstandings guaranteed by banking or company sector bodies are included in the latter categories.

At 31 December 2020, La Banque Postale's portfolio consisted of 47.9% exposure to central governments and central banks, including the credit exposure of the Bank to the Caisse des Dépôts as a result of the centralisation of "regulated" savings (Livret A, LEP, LDDS, etc.).

The other main exposures in the portfolio primarily concern La Banque Postale's traditional core business, with €21.6 billion in direct retail customer exposures (related for example to consumer finance and current accounts), plus Retail Banking exposures corresponding for the most part to La Banque Postale home loans guaranteed by Crédit Logement (€34.8 billion). The exposures secured by real estate include the Dutch home mortgage portfolios in the amount of €3.7 billion.

Geographical breakdown of exposure (Banking activities)

(in € millions)	Eurozone	Country France	Country Germany	Country Other	Americas	Country United States	Country Canada	Country Other	Asia	Japan	Country Other	Other regions	Total
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	-	-	-	-	-	-	-	-	-	-	-	-	-
Central governments and central banks	**148,165**	140,065	2,493	5,607	**275**	-	269	6	**119**	-	119	**1**	**148,559**
Regional governments and local authorities	**12,374**	12,374	-	-	**41**	-	41	0	-	-	-	**0**	**12,416**
Public sector entities	**1,372**	1,372	-	-	**0**	-	-	0	-	-	-	**0**	**1,372**
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	**2**	1	-	1	-	-	-	-	-	-	-	**6**	**8**
Institutions	**46,155**	42,106	392	3,657	**1,603**	1,554	47	2	**62**	2	61	**74**	**47,894**
Corporate	**28,208**	27,172	307	729	**233**	225	2	7	**10**	7	3	**16**	**28,467**
Retail customers	**21,567**	21,369	0	197	**4**	1	0	3	**6**	0	6	**4**	**21,581**
Retail Exposures secured by mortgages on real estate	**27,869**	24,160	1	3,708	**8**	2	0	5	**9**	1	8	**6**	**27,892**
Exposures in default	**679**	672	0	7	**0**	0	-	0	**0**	0	0	**0**	**680**
Items associated with a particularly high risk	**1,087**	879	-	209	-	-	-	-	-	-	-	-	**1,087**
Covered bonds	**1,494**	1,072	-	422	**589**	-	589	-	**223**	98	126	**49**	**2,356**
Receivables from institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	**264**	203	-	61	-	-	-	-	-	-	-	-	**264**
Equities exposure	**13,617**	13,419	38	160	**18**	18	-	-	-	-	-	-	**13,635**
Other exposures	**3,926**	3,926	-	-	-	-	-	-	-	-	-	-	**3,926**
Total standard approach	**306,779**	**288,791**	**3,231**	**14,758**	**2,772**	**1,800**	**949**	**23**	**429**	**107**	**323**	**156**	**310,137**
TOTAL	**306,779**	**288,791**	**3,231**	**14,758**	**2,772**	**1,800**	**949**	**23**	**429**	**107**	**323**	**156**	**310,137**

Exposure concentration by type of industry or counterparty (Banking activities)

(in € millions)	Holding activities	Public and related authorities	Aero-space and defence	Agricul-ture	Food and beverages	Insu-rance	Auto-motive	Other indus-tries	Other services	Other financial services	Fast-moving consumer goods (non-food)	Construc-tion and public works/ Construc-tion materials	Chemistry
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total IRB approach	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central governments and central banks	42	141,181	24	4	9	0	41	23	139	255	19	103	1
Regional governments and local authorities	-	9,745	-	-	-	-	-	-	-	-	-	143	1
Public sector entities	-	1,315	-	-	-	-	-	-	-	34	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	8	-	-	-	-	-	-	-	-	-	-	-
Institutions	13	-	0	8	5	0	20	7	112	12,622	8	53	1
Corporate	2,062	365	46	91	211	55	456	276	3,853	891	82	695	35
Retail customers	76	0	0	16	14	0	19	10	211	40	8	72	3
Mortgage on a property	138	1	0	7	16	-	9	4	263	222	6	84	0
Exposures in default	11	19	0	1	1	0	2	3	42	6	2	6	0
Items associated with a particularly high risk	2	-	-	-	-	-	-	-	0	809	-	-	-
Covered bonds	-	-	-	-	-	-	-	-	-	2,356	-	-	-
Receivables from institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	-	-	-	-	-	-	-	-	115	149	-	-	-
Equities exposure	15	66	-	-	-	11,486	-	0	1,693	360	-	-	-
Other exposures	-	-	-	-	-	-	-	-	3,926	-	-	-	-
Total standard approach	**2,359**	**152,700**	**70**	**127**	**256**	**11,542**	**545**	**324**	**10,354**	**17,744**	**124**	**1,155**	**40**
TOTAL	**2,359**	**152,700**	**70**	**127**	**256**	**11,542**	**545**	**324**	**10,354**	**17,744**	**124**	**1,155**	**40**

Cosmetics, personal care and other household products	Distribution	Energy	Real estate	Infrastructure	IT & Technology	Luxury	Media and communication	Private individuals	Pharmacy	Commodities	Healthcare, community and education	Telecommunications	Tourism, hotels, restaurants, leisure	Transport and Logistics	Utilities	Total
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9	182	-	47	18	29	1	33	6,089	0	44	56	8	74	105	25	148,559
2	0	-	2,007	255	2	-	0	-	-	-	180	-	8	57	15	12,416
-	-	-	24	-	-	-	-	-	-	-	-	-	-	-	-	1,372
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
10	36	0	433	5	17	1	22	34,228	0	10	220	4	30	27	1	47,894
12	1,581	24	8,371	410	492	1	101	1,313	76	323	770	668	407	2,736	2,064	28,467
12	73	-	675	11	19	0	26	20,068	0	13	112	2	38	46	18	21,581
11	194	-	6,344	20	17	0	29	20,041	-	10	245	93	126	12	0	27,892
0	50	-	48	0	1	-	3	452	-	1	3	0	11	18	0	680
-	-	-	272	-	4	-	-	-	-	-	-	-	-	-	-	1,087
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,356
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	264
-	-	-	3	-	12	-	-	-	-	-	-	-	-	-	-	13,635
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,926
56	**2,116**	**24**	**18,223**	**720**	**594**	**3**	**214**	**82,191**	**77**	**402**	**1,585**	**774**	**694**	**3,001**	**2,124**	**310,137**
56	**2,116**	**24**	**18,223**	**720**	**594**	**3**	**214**	**82,191**	**77**	**402**	**1,585**	**774**	**694**	**3,001**	**2,124**	**310,137**

Sector exposures are given for the classifications "Central governments" and "Institutions" as the data presented in the table above includes the effects of Basel substitution. The outstandings guaranteed by organisations in the banking or Central government (FGAS) segments are therefore included in the "Private individuals" sectors.

At 31 December 2020, La Banque Postale's credit portfolio remained highly concentrated in the French domestic market (93.1% of its total exposure) due to the nature of its historical core business (lending to retail customers in France).

La Banque Postale's international exposure was concentrated in the euro zone countries (5.8% of total exposure for €18.0 billion) and primarily concerned euro zone sovereign debt, the debt securities of European banks and large corporates, and Dutch home loan portfolios.

With respect to the sector allocation of the Corporate exposure, at 31 December 2020, La Banque Postale's portfolio was well diversified, with maturities beyond the concentrations inherent to its traditional core business.

The composition of La Banque Postale's €28.5 billion Corporate portfolio reflects its recent history of financing this category of customer:

- with the property sector accounting for the largest share of the total portfolio, due to the (relative) age of La Banque Postale's lease financing and mortgage loan activities in this sector (29.4% of exposures), including loans to social landlords (€7,670 million);
- with the transport sector also accounting for a substantial share (9.6% of exposures), a reflection of the development of La Banque Postale's Asset and Project Finance and equipment lease financing businesses; and
- the sectors that include the largest French groups making a significant contribution (Utilities 7.3%, Retail 5.6%, etc.).

Exposures by maturity (Banking activities)

	Net Exposure Value					
(in € millions)	on request	<= 1 year	>1year <= 5years	>5 years	No maturity state	Total
Central governments and central banks	-	-	-	-	-	-
Institutions	-	-	-	-	-	-
Corporate	-	-	-	-	-	-
Retail customers	-	-	-	-	-	-
Equities	-	-	-	-	-	-
Total IRB approach	**-**	**-**	**-**	**-**	**-**	**-**
Central governments and central banks	109,293	7,785	4,956	26,017	508	148,559
Regional governments and local authorities	410	2,075	1,244	8,683	3	12,416
Public sector entities	288	489	73	521	1	1,372
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	6	2	-	8
Institutions	45	923	9,022	36,798	1,105	47,894
Corporate	1,835	5,037	8,382	12,862	352	28,467
Retail customers	513	351	3,754	16,961	2	21,581
Mortgage on a property	6	157	2,309	25,421	-	27,892
Exposures in default	61	30	82	498	9	680
Items associated with a particularly high risk	1	29	103	954	0	1,087
Covered bonds	866	-	1,052	438	-	2,356
Receivables from institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	-	-	23	142	99	264
Equities exposure	-	-	-	-	13,635	13,635
Other exposures	-	-	-	2,421	1,505	3,926
Total standard approach	**113,318**	**16,876**	**31,007**	**131,716**	**17,220**	**310,137**
TOTAL	**113,318**	**16,876**	**31,007**	**131,716**	**17,220**	**310,137**

The data presented in the table above include the effects of Basel substitution in the classification of exposure: therefore, the outstandings guaranteed by banking or company sector bodies are included in the latter categories.

At 31 December 2020, the breakdown of La Banque Postale's exposures based on residual maturities reflected its historical business of lending to retail customers and collecting regulated savings that are centralised with Caisse des Dépôts. Consequently, 73.6% of La Banque Postale's exposure to central governments and banks is considered to be "on request".

4.4.3.2 Breakdown of exposures in default

Credit quality of exposures by exposure categories and instrument (Banking activities)

(in € millions)	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	-	-	-	-	-	-	-
Of which: Specialised financing	-	-	-	-	-	-	-
Of which: SME	-	-	-	-	-	-	-
Retail customers	-	-	-	-	-	-	-
Exposures secured by real estate	-	-	-	-	-	-	-
SME	-	-	-	-	-	-	-
Non-SME	-	-	-	-	-	-	-
Eligible renewable exposures	-	-	-	-	-	-	-
Other - retail customers	-	-	-	-	-	-	-
SME	-	-	-	-	-	-	-
Non-SME	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-
Total IRB approach	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central governments and central banks	-	141,183	2	-	-	(1)	141,181
Regional governments and local authorities	-	9,729	-	-	-	-	9,729
Public sector entities	-	1,341	13	-	-	12	1,328
Multilateral development banks	-	-	-	-	-	-	-
International organisations	-	8	-	-	-	-	8
Institutions	-	12,860	2	-	-	(1)	12,857
Corporate	-	31,294	432	-	0	343	30,862
Of which: SME	-	-	-	-	-	-	-
Retail customers	-	64,286	318	-	4	127	63,968
Of which: SME	-	-	-	-	-	-	-
Exposures secured by mortgages on real estate	-	27,892	-	-	-	-	27,892
Of which: SME	-	-	-	-	-	-	-
Exposures in default	1,631		588	-	74	76	1,043
Items associated with a particularly high risk	-	1,087	-	-	-	-	1,087
Covered bonds	-	2,356	-	-	-	-	2,356
Receivables from institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	-	264	-	-	-	-	264
Equities exposure	-	13,636	1	-	-	(0)	13,635
Other exposures	-	3,926	0	-	-	0	3,926
Total standard approach	**1,631**	**309,862**	**1,355**	**-**	**79**	**557**	**310,137**
TOTAL	**1,631**	**309,862**	**1,355**	**-**	**79**	**557**	**310,137**
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 (Banking activities)

	Gross carrying amount					
		Non-performing				
(in € millions)			Of which defaulted	Of which loans and advances subject to impairment	Cumulative impairment	Cumulative negative changes in fair value due to credit risk on non-performing exposures
Private individuals	-	-	-	-	-	-
Holding activities	2,021	23	23	23	84	-
Public and related authorities	949	0	0	0	0	-
Aerospace and defence	45	0	0	0	0	-
Agriculture	88	1	1	1	0	-
Food and beverages	208	1	1	1	2	-
Insurance	-	-	-	-	-	-
Automotive	515	14	14	14	5	-
Other industries	289	3	3	3	13	-
Other services	2,736	54	54	54	55	-
Other financial services	687	12	12	12	27	-
Fast-moving consumer goods (non-food)	95	0	0	0	1	-
Construction and public works/Construction materials	892	6	6	6	10	-
Chemistry	33	-	-	-	0	-
Cosmetics, personal care and other household products	20	0	0	0	0	-
Distribution	1,653	38	38	38	48	-
Energy	20	-	-	-	0	-
Real estate	15,418	63	63	63	79	-
Infrastructure	583	1	1	1	1	-
IT & Technology	480	0	0	0	2	-
Luxury	2	-	-	-	0	-
Media and communication	144	3	3	3	5	-
Pharmacy	75	-	-	-	0	-
Commodities	289	1	1	1	4	-
Healthcare, community and education	607	5	5	5	6	-
Telecommunications	839	0	0	0	10	-
Tourism, hotels, restaurants, leisure	550	22	22	22	35	-
Transport and Logistics	2,525	71	71	71	26	-
Utilities	6,899	0	0	0	35	-
Not allocated	5,182	69	69	69	-	-
TOTAL	**43,846**	**388**	**388**	**388**	**448**	**-**

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 (Banking activities)

(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 defaulted	Of which subject to impairment			
BALANCE SHEET EXPOSURES	**281,186**	**1,608**	**1,608**	**1,608**	**(1,256)**	**-**	**126**
Eurozone	278,381	1,608	1,608	1,608	(1,214)	-	121
France	***261,053***	***1,601***	***1,601***	***1,601***	***(1,173)***	***-***	***104***
Germany	***3,179***	***0***	***0***	***0***	***(9)***	***-***	***1***
Other	***14,149***	***7***	***7***	***7***	***(32)***	***-***	***16***
Americas	2,222	0	0	0	(2)	-	3
United States	***1,251***	***0***	***0***	***0***	***(2)***	***-***	***2***
Canada	***949***	***0***	***0***	***0***	***0***	***-***	***1***
Other	***22***	***0***	***0***	***0***	***0***	***-***	***0***
Asia	429	0	0	0	(15)	-	1
Japan	***107***	***0***	***0***	***0***	***(15)***	***-***	***1***
Other	***322***	***0***	***0***	***0***	***0***	***-***	***0***
Other geographical regions	155	0	0	0	(25)	-	1
OFF-BALANCE SHEET EXPOSURES	**28,951**	**33**	**33**	**33**	**-**	**(99)**	**39**
Eurozone	28,398	33	33	33	-	(99)	39
France	***27,738***	***33***	***33***	***33***	***-***	***(97)***	***38***
Germany	***52***	***0***	***0***	***0***	***-***	***0***	***0***
Other	***609***	***0***	***0***	***0***	***-***	***(2)***	***0***
Americas	550	0	0	0	-	0	0
United States	***549***	***0***	***0***	***0***	***-***	***0***	***0***
Canada	***0***	***0***	***0***	***0***	***-***	***0***	***0***
Other	***1***	***0***	***0***	***0***	***-***	***0***	***0***
Asia	1	0	0	0	-	0	0
Japan	***0***	***0***	***0***	***0***	***-***	***0***	***0***
Other	***1***	***0***	***0***	***0***	***-***	***0***	***0***
Other geographical regions	2	0	0	0	-	0	0
TOTAL	**310,137**	**1,642**	**1,642**	**1,642**	**(1,256)**	**(99)**	**165**

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

Standard approach (Banking activities)

Exposure categories	Weighting						
(in € millions)	0%	2%	4%	10%	20%	35%	50%
Central governments and central banks	147,738	-	-	-	56	-	5
Regional governments and local authorities	-	-	-	-	11,002	-	-
Public sector entities	-	-	-	-	1,027	-	41
Multilateral development banks	-	-	-	-	-	-	-
International organisations	8	-	-	-	-	-	-
Institutions	65	300	-	-	38,421	-	6,656
Corporate	-	-	-	-	3,517	-	7,735
Retail customers	-	-	-	-	-	-	-
Exposures secured by mortgages on real estate	-	-	-	-	-	22,021	3,945
Exposures in default	-	-	-	-	-	-	-
Exposures associated with a particularly high risk	-	-	-	-	-	-	-
Covered bonds	-	-	-	2,354	-	-	-
Institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	-	-	-	-	-	-	-
Equities	-	-	-	-	-	-	-
Other items	1,283	-	-	-	-	-	-
TOTAL	**149,095**	**300**	**-**	**2,354**	**54,023**	**22,021**	**18,382**

Weighting									Total	Not rated
70%	75%	100%	150%	250%	370%	1250%	Other	Deducted		
-	-	5	-	-	-	-	-	-	147,804	-
-	-	0	-	-	-	-	-	-	11,002	-
-	-	10	-	-	-	-	-	-	1,078	-
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	8	-
-	-	20	-	-	-	-	-	-	45,462	-
-	-	12,658	1,258	-	-	-	-	-	25,167	-
-	14,246	-	-	-	-	-	-	-	14,246	-
-	-	1,872	-	-	-	-	-	-	27,838	-
-	-	506	136	-	-	-	-	-	642	-
-	-	-	979	-	-	-	-	-	979	-
-	-	-	-	-	-	-	-	-	2,354	-
-	-	-	-	-	-	-	-	-	-	-
-	-	260	-	-	-	-	-	-	260	-
-	-	13,129	-	503	-	-	-	-	13,632	-
-	-	2,643	-	-	-	-	-	-	3,926	-
-	**14,246**	**31,103**	**2,372**	**503**	**-**	**-**	**-**	**-**	**294,399**	**-**

4.4.5 Exposures in default, renegotiated exposures and adjustments for credit risk

Credit quality of renegotiated exposures (Banking activities)

	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 non-performing						
(in € millions)	Renegotiated performing		Of which defaulted	Of which amortised	On renegotiated performing exposures	On renegotiated non-performing exposures		Of which sureties and financial guarantees received for renegotiated non-performing exposures
Loans and advances	397.76	366.78	366.78	366.78	(29.68)	(163.83)	255.54	128.88
Central banks	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Public authorities	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Credit institutions	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Other finance companies	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Non-financial sector companies	*75.51*	*28.72*	*28.72*	*28.72*	*(18.39)*	*(12.14)*	*51.78*	*20.12*
Households	*314.28*	*338.05*	*338.05*	*338.05*	*(10.54)*	*(151.69)*	*202.59*	*108.76*
Debt securities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loan commitments given	0.95	4.58	4.58	4.58	0.00	0.00	0.00	0.00
TOTAL	**398.71**	**371.37**	**371.37**	**371.37**	**(29.68)**	**(163.83)**	**255.54**	**128.88**

Credit quality of performing and non-performing exposures by days past due (Banking activities)

	Gross carrying amount/nominal amount											
	Performing exposures				Non-performing exposures							
(in € millions)		Not in arrears or in arrears ≤ 30 days	In arrears > 30 days ≤ 90 days		Payment unlikely, but not in arrears or in arrears ≤ 90 days	In arrears > 90 days ≤ 180 days	In arrears > 180 days ≤ 1 year	In arrears > 1 year ≤ 2 years	In arrears > 2 years ≤ 5 years	In arrears > 5 years ≤ 7 years	In arrears > 7 years	Of which defaulted
Loans and advances	237,171.29	236,910.63	260.66	1,610.57	1,012.08	91.16	119.10	144.21	145.95	42.81	55.26	1,610.57
Central banks	41,500.00	41,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Public authorities	*77,574.91*	*77,566.48*	*8.43*	*35.80*	*32.68*	*0.01*	*0.04*	*2.29*	*0.79*	*0.00*	*0.00*	*35.80*
Credit institutions	*3,307.81*	*3,307.77*	*0.04*	*0.05*	*0.05*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.05*
Other finance companies	*13,373.57*	*13,373.21*	*0.36*	*0.10*	*0.07*	*0.00*	*0.01*	*0.02*	*0.00*	*0.00*	*0.00*	*0.10*
Non-financial sector companies	**28,525.15**	**28,362.56**	**162.59**	**419.06**	**372.74**	**5.60**	**9.25**	**19.60**	**6.56**	**1.85**	**3.46**	**419.06**
Of which SMEs	*6,118.82*	*6,080.07*	*38.75*	*96.49*	*80.17*	*1.59*	*5.28*	*7.17*	*1.97*	*0.01*	*0.31*	*96.49*
Households	*72,889.84*	*72,800.61*	*89.24*	*1,155.56*	*606.54*	*85.55*	*109.80*	*122.30*	*138.60*	*40.97*	*51.80*	*1,155.56*
Debt securities outstanding	38,146.65	38,146.65	0.00	15.05	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Central banks	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Public authorities	*25,149.29*	*25,149.29*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Credit institutions	*9,845.36*	*9,845.36*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Other finance companies	*2,010.73*	*2,010.73*	*0.00*	*15.05*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Non-financial sector companies	*1,141.27*	*1,141.27*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Off-balance sheet exposures	59,014.62			34.52								34.52
Central banks	*8,339.88*			*0.00*								*0.00*
Public authorities	*5,233.56*			*0.00*								*0.00*
Credit institutions	*23,588.87*			*0.00*								*0.00*
Other finance companies	*3,037.52*			*0.00*								*0.00*
Non-financial sector companies	*7,805.82*			*6.73*								*6.73*
Households	*11,008.97*			*27.80*								*27.80*
TOTAL	**334,332.56**	**275,057.28**	**260.66**	**1,660.14**	**1,012.08**	**91.16**	**119.10**	**144.21**	**145.95**	**42.81**	**55.26**	**1,645.10**

(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 with-drawals	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 per-forming expo-sures	On non--perform-ming expo-sures
		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	237,171.29	226,553.28	10,618.01	1,610.57	0.00	1,610.57	(597.64)	(167.35)	(430.29)	(619.93)	0.00	(619.93)	(5.25)	72,107.51	558.67
Central banks	*41,500.00*	*41,500.00*	*0.00*	*0.00*	*0.00*	*0.00*	*(0.26)*	*(0.26)*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Public authorities	*77,574.91*	*77,566.12*	*8.79*	*35.80*	*0.00*	*35.80*	*(1.83)*	*(1.42)*	*(0.41)*	*(0.26)*	*0.00*	*(0.26)*	*0.00*	*308.47*	*0.00*
Credit institutions	*3,307.81*	*3,307.81*	*0.00*	*0.05*	*0.00*	*0.05*	*(0.48)*	*(0.48)*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*54.23*	*0.00*
Other finance companies	*13,373.57*	*13,202.90*	*170.67*	*0.10*	*0.00*	*0.10*	*(22.86)*	*(3.14)*	*(19.72)*	*(0.04)*	*0.00*	*(0.04)*	*0.00*	*122.19*	*0.00*
Non-financial sector companies	*28,525.15*	*25,002.29*	*3,522.86*	*419.06*	*0.00*	*419.06*	*(334.50)*	*(84.72)*	*(249.79)*	*(139.93)*	*0.00*	*(139.93)*	*(0.10)*	*14,426.72*	*154.40*
Of which SMEs	*6,118.82*	*5,663.28*	*455.54*	*96.49*	*0.00*	*96.49*	*(58.12)*	*(12.80)*	*(45.32)*	*(58.91)*	*0.00*	*(58.91)*	*0.00*	*3,359.80*	*8.02*
Households	*72,889.84*	*65,974.15*	*6,915.69*	*1,155.56*	*0.00*	*1,155.56*	*(237.70)*	*(77.33)*	*(160.37)*	*(479.69)*	*0.00*	*(479.69)*	*(5.15)*	*57,195.90*	*404.27*
Debt securities outstanding	38,146.65	36,943.11	448.79	15.05	0.00	15.05	(32.51)	(10.13)	(22.38)	(6.22)	0.00	0.00	0.00	0.00	0.00
Central banks	*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*
Public authorities	*25,149.29*	*25,148.98*	*0.00*	*0.00*	*0.00*	*0.00*	*(0.89)*	*(0.89)*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Credit institutions	*9,845.36*	*9,749.78*	*95.58*	*0.00*	*0.00*	*0.00*	*(1.78)*	*(1.23)*	*(0.55)*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Other finance companies	*2,010.73*	*1,962.13*	*0.00*	*15.05*	*0.00*	*15.05*	*(4.19)*	*(4.19)*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Non-financial sector companies	*1,141.27*	*788.06*	*353.22*	*0.00*	*0.00*	*0.00*	*(25.65)*	*(3.82)*	*(21.83)*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
Off-balance sheet exposures	59,014.62	57,886.11	1,128.51	34.52	0.00	34.52	95.84	45.61	50.23	3.18	0.00	3.18		712.18	0.00
Central banks	*8,339.88*	*8,339.88*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*		*0.00*	*0.00*
Public authorities	*5,233.56*	*5,232.52*	*1.04*	*0.00*	*0.00*	*0.00*	*0.57*	*0.57*	*0.00*	*0.00*	*0.00*	*0.00*		*33.72*	*0.00*
Credit institutions	*23,588.87*	*23,588.87*	*0.00*	*0.00*	*0.00*	*0.00*	*0.13*	*0.13*	*0.00*	*0.00*	*0.00*	*0.00*		*1.98*	*0.00*
Other finance companies	*3,037.52*	*3,005.22*	*32.30*	*0.00*	*0.00*	*0.00*	*3.60*	*0.77*	*2.83*	*0.00*	*0.00*	*0.00*		*0.00*	*0.00*
Non-financial sector companies	*7,805.82*	*7,151.33*	*654.49*	*6.73*	*0.00*	*6.73*	*50.99*	*16.70*	*34.30*	*1.33*	*0.00*	*1.33*		*622.43*	*0.00*
Households	*11,008.97*	*10,568.30*	*440.67*	*27.80*	*0.00*	*27.80*	*40.55*	*27.45*	*13.10*	*1.68*	*0.00*	*1.68*		*54.05*	*0.00*
TOTAL	**334,332.56**	**321,382.50**	**12,195.32**	**1,660.14**	**0.00**	**1,660.14**	**(534.32)**	**(131.88)**	**(402.44)**	**(622.96)**	**0.00**	**(616.75)**	**(5.25)**	**72,819.69**	**558.67**

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 (Banking activities)

(in € millions)	Cumulative amount of adjustments for specific credit risk	Cumulative amount of adjustments for general credit risk
INITIAL BALANCE	**874**	**-**
Increases due to amounts provisioned for probable losses on loans during the period	731	-
Decreases due to amounts reversed for probable losses on loans during the period	(250)	-
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	**1,355**	**0**

The data presented in the above table correspond to a prudential view of 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 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 31 December 2020, La Banque Postale had granted non-contractual repayment holidays on loans representing total outstanding principal of €1,959 million. Of this amount, the repayment holiday on €1,852 million worth of outstanding principal ended on 31 December 2020.

Specific arrangements for business customers

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

For markets and products representing high volumes but small amounts (such as professionals, SMEs, equipment leases, etc.), all monthly payments were deferred unilaterally by La Banque Postale (unless this went against the customer's wishes) through to 30 September 2020. This amounted to a six-month extension of the term of the loan granted without adjusting the nominal interest rate. In some cases, the interest accruing during the repayment holiday was also waived by La Banque Postale.

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

Counterparties classified in Bucket 2 and Bucket 3 for the application of IFRS 9 prior to the crisis were examined on a case-by-case basis by the department responsible for dealing with customers in difficulties.

As soon as the EBA guidelines (EBA/GL/2020/08) were published, repayment holidays were extended by six months for tourist sector customers who requested an extension (tourist businesses listed in the decree of 13 July 2020 – Appendix 7, amending the decree of 23 March 2020, as published in the Official Journal). The total repayment holiday granted did not exceed 12 months.

No operations were carried out at the end of 2020 in application of the decisions published on 2 December 2020 authorising repayment holidays through 31 March 2021 on loans granted prior to 2 December 2020, and on loans already covered by repayment holidays through 30 September 2020 (not to exceed nine months).

Business loan recovery efforts were stepped up in 2020 to enhance risk identification and oversight of the portfolio affected by the COVID-19 crisis.

At 31 December 2020, La Banque Postale had granted non-contractual repayment holidays on loans representing total outstanding principal of €2,651 million. Of this amount, the repayment holiday on €2,193 million worth of outstanding principal ended on 31 December 2020. Repayment holidays still in progress at 31 December 2020 represented €458 million in exposure, including €36 million for professional customers and €422 million for corporate customers.

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

	Gross carrying amount						
		Performing			Non-performing		
			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	579,150,917	566,872,322	3,968,162	290,124,999	12,278,595	2,628,792	9,094,348
of which: Households	120,923,753	119,069,411	3,968,162	49,560,293	1,854,342	336,540	1,854,342
of which: Secured by residential property assets	120,923,753	119,069,411	3,968,162	49,560,293	1,854,342	336,540	1,854,342
of which non-financial sector companies	421,619,769	411,415,440	-	237,120,684	10,204,329	2,292,252	7,020,082
of which: SMEs and ISEs	121,128,151	115,573,822	-	33,259,044	5,554,239	2,292,252	2,370,082
of which: Secured by commercial property assets	127,293,282	122,643,282	-	86,232,922	4,650,000	-	4,650,000

Accumulated impairment and accumulated negative changes in fair value due to credit risk				Gross carrying amount			
Performing				Non-performing			
		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	Reclassification as non-performing exposures
31,494,783	26,519,428	182,638	25,781,304	4,975,535	2,395,126	2,463,883	1,893,914
1,244,897	987,524	182,638	924,125	257,372	102,874	257,372	352,517
1,244,897	987,524	182,638	924,125	257,372	102,874	257,372	352,517
29,721,903	25,067,339	-	24,433,750	4,654,564	2,292,252	2,142,912	1,532,278
6,548,522	3,056,458	-	2,594,497	3,942,064	2,292,252	980,412	1,532,278
10,308,396	9,145,986	-	9,123,580	1,162,500	-	1,162,500	-

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

		Gross carrying amount							
					Remaining term of repayment holiday				
	Number of debtors		Of which: Legislative repayment holiday	Of which: Expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which a repayment holiday was proposed	22,441								
Loans and advances subject to a repayment holiday (granted)	**21,606**	**4,624,168,192**	**458,227,164**	**4,045,017,276**	**414,669,578**	**114,773,900**	**36,369,681**	**2,632,966**	**10,704,791**
of which households		1,973,259,187	-	1,852,335,434	99,638,313	15,981,867	4,988,178	190,395	125,001
of which secured by residential property assets		1,965,524,405	-	1,844,600,652	99,638,313	15,981,867	4,988,178	190,395	125,001
of which: Non-financial sector companies		2,427,962,244	421,619,769	2,006,342,475	279,883,458	97,865,061	30,948,887	2,442,571	10,579,791
of which SMEs		813,567,806	121,128,151	692,439,655	107,405,416	11,280,165	-	2,442,571	-
of which secured by commercial property assets		949,069,158	127,293,282	821,775,876	67,383,298	55,259,984	4,650,000	-	-

4.4.6.2 Government-backed loans

On 16 March 2020, the French government announced it was setting up a government-backed loan scheme to help businesses ride out the COVID-19 economic and health crisis. These government-backed loans were made available between 16 March and 31 December 2020 through France's main banking institutions, including La Banque Postale[1].

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

Following the French government's announcement of 14 January 2021, repayment may be deferred through 31 March 2022 at the customer's request.

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

As of 31 December 2020, La Banque Postale had received 910,400 applications for these loans, representing an aggregate €1,795 million. At that date, loans totalling €1,117 million had been granted, of which €1,091 million had been disbursed to 6,220 borrowers, including 5,237 very small businesses and professionals (representing €176 million in exposure). The majority of the loans granted have maturities of between 9 and 12 months and are healthy.

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	**1,091,402,052**	**-**	**937,330,794**	**12,588,741**
of which households				
of which secured by residential property assets				
of which non-financial sector companies	915,753,383	-	797,449,451	11,327,666
of which SMEs	471,817,340			6,747,750
of which secured by commercial property assets	11,230,000			-

(1) The decree of 29 December 2020 amending the decree of 23 March 2020 (published in the Official Journal) has extended the government-backed loan scheme through 30 June 2021.

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, La Banque Postale seeks guarantees to limit its losses in the event the counterparty defaults.

For this purpose, La Banque Postale has a database of guarantee types, standards and rules governing the selection of the guarantors it will accept.

To mitigate real estate loan risk

The general principle is that any financing must be 100% covered by a guarantee, which provides an adequate level of cover that complies with 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 does not, in and of itself, justify the granting of a loan.

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

Pursuant to the decision of the ACPR college of 19 June 2014 taking into account the specific characteristics of the FGAS guarantee facility, the prudential treatment under the CRR of the 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 techniques 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 (Banking activities)

(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	**172,646**	**45,260**	**25,707**	**404**	**-**
Total debt securities	**63,222**	**1,781**	**467**	**648**	**-**
Total exposure	**235,869**	**47,042**	**26,175**	**1,052**	**-**
Of which defaulted	466	363	208	16	-

Non-guaranteed exposures include exposures to savings centralised with Caisse des Dépôts for €67.4 billion.

Standard approach – Credit risk exposure and effect of ARC measures (Banking activities)

	Pre-FCEC and ARC exposures		Post-FCEC and ARC exposures		RWA and RWA density	
(in € millions)	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	139,891	1,290	147,152	652	18	0.0%
Regional governments and local authorities	6,476	3,253	8,912	2,090	2,185	19.9%
Public sector entities	903	425	942	136	236	21.9%
Multilateral development banks	-	-	-	-	-	-
International organisations	6	2	6	2	-	-
Institutions	9,096	3,762	42,839	2,623	10,993	24.2%
Corporate	22,224	8,637	19,838	5,330	18,902	75.1%
Retail customers	53,199	10,769	12,090	2,157	10,440	73.3%
Exposures secured by mortgages on real estate	27,426	467	27,371	467	11,376	40.9%
Exposures in default	1,009	33	635	7	710	110.6%
Exposures associated with a particularly high risk	843	245	735	245	1,460	149.1%
Covered bonds	2,356	-	2,354	-	235	10.0%
Institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-
Undertakings for Collective Investment in Transferable Securities (UCITS)	261	3	257	3	260	100.0%
Equities	13,569	66	13,565	66	14,386	105.5%
Other items	3,926	-	3,926	-	2,643	67.3%
TOTAL	**281,186**	**28,951**	**280,622**	**13,777**	**73,843**	**25%**

At 31 December 2020, the average weighting (RWA density) of La Banque Postale's credit portfolio was 25% using the standard method. This reflects the very moderate level of risk of its portfolio which consists primarily of sovereign exposures with a preferential weighting of 0% (CRR Article 114-4), bank exposures with good ratings and home loans guaranteed by organisations such as Crédit Logement, which are also of high credit quality.

However, the increasing level of Corporate exposures should be noted given La Banque Postale's significant growth in this market. These exposures are weighted less favourably under the standard approach, for equivalent ratings.

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 standard 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 following types of derivatives, as currently defined, generate a counterparty risk:

- 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 (Banking activities)

(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	-	7,687	1,069	-	-	4,839	1,395
Initial exposure	-	-	-	-	-	-	-
Standard approach	-	-	-	-	-	-	-
IMM (for derivatives and SFT)	-	-	-	-	-	-	-
Of which securities financing transactions	-	-	-	-	-	3,893	970
Of which derivatives and deferred settlement transactions	-	-	-	-	-	946	426
Of which resulting from a multiproduct clearing agreement	-	-	-	-	-	1,246	450
Financial collateral simple method (for SFTs)	-	-	-	-	-	-	-
Financial collateral simple method (for SFTs)	-	-	-	-	-	4,839	1,395
VaR for SFTs	-	-	-	-	-	-	-
TOTAL	**-**	**-**	**-**	**-**	**-**	**-**	**1,395**

Exposure to central counterparties (Banking activities)

	Weighting												
(in € millions)	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Other	Total	Not rated
Exposure categories													
Central governments and central banks	3	-	-	-	-	-	-	-	-	-	-	3	-
Regional governments and local authorities	-	-	-	-	32	-	-	-	-	-	-	32	-
Public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	1,224	-	-	2,167	675	-	-	-	-	54	4,120	-
Corporate	-	-	-	-	2	267	-	-	343	65	-	678	-
Retail customers	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions and companies subject to a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	8	-	8	-
TOTAL	**3**	**1,224**	**-**	**-**	**2,201**	**942**	**-**	**-**	**343**	**73**	**54**	**4,839**	**-**

Central counterparties are grouped with institutions from a prudential standpoint.

Exposure to central counterparties (Banking activities)

(in € millions)	Value exposed to post-ARC risk	RWA
Exposures to QCCP (total)	**-**	**38**
Exposure to transactions with qualifying central counterparties (to the exclusion of initial margins and contributions for default funds); of which	1,222	24
(i) OTC derivatives	256	5
(ii) Listed derivatives	-	-
(iii) SFTs	965	19
(iv) All clearing in which multiproduct clearing has been approved	461	210
Segregated initial margin	761	-
Non-segregated initial margin	300	6
Contributions to pre-funded default funds	54	7
Alternative calculation method of the capital requirement for exposure	-	-
Exposures to non-QCCP (total)	**-**	**0**
Exposure to transactions with non-qualifying central counterparties (to the exclusion of initial margins and contributions for default funds); of which	-	-
(i) OTC derivatives	-	-
(ii) Listed derivatives	1	0
(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 collateral (Banking activities)

(in € millions)	Positive gross fair value or net book value	Netting gain	Current credit exposure after netting	Collateral held	Net credit exposures
Derivatives	2,874	1,198	1,560	570	990
SFTs	30,374	29,148	3,947	-	3,947
Multiproduct netting	-	-	-	-	-
TOTAL	**33,248**	**30,346**	**5,507**	**570**	**4,937**

	Collateral used in derivative contracts				Collateral used in SFTs	
	Fair value of the collateral received		Fair value of the collateral given			
(in € millions)	Segregated	Non-segregated	Segregated	Non-segregated	Fair value of the collateral received	Fair value of the collateral given
Collateral held	349	-	560	-	35,213	21,720
TOTAL	**349**	**-**	**560**	**-**	**35,213**	**21,720**

Exposures to credit derivatives (Banking activities)

	Hedges based on credit derivatives		
(in € millions)	Protection purchased	Protection sold	Other credit derivatives
Notional amounts			
Single-signature CDS	1,083	-	-
Indexed CDS	-	-	-
Total return swaps	-	-	-
Credit options	-	-	-
Other credit derivatives	-	-	-
Total notional amounts	**1,083**	**-**	**-**
Fair values	4	-	-
Positive fair value (assets)	4	-	-
Negative fair value (liabilities)	-	-	-

4.4.10 Securitisation

La Banque Postale has €323 million in exposure to securitisation as defined in regulations.

An investment in securitisation units was made in 2012; the underlying assets are receivables outstanding from Italian pharmacies. The securitisation portfolio is of good quality: the tranche in which La Banque Postale invested in 2012 has received a top tier rating.

The other investments in this asset class were brought to La Banque Postale when it was created in 2006 and have been managed in run-off since then. These other investments account for a non-significant level of exposure.

Bank portfolio securitisation exposures

(in € millions)	Classic	Synthetic	Total
Total "retail"	**-**	**-**	**-**
Of which residential property receivables	-	-	-
Of which credit cards	-	-	-
Of which other retail customer exposures	-	-	-
Of which re-securitisation	-	-	-
Total "wholesale"	**-**	**-**	**-**
Of which loans to companies	-	-	-
Commercial property receivables	-	-	-
Property leasing and receivables	-	-	-
Other wholesale customer exposures	323	-	323
Re-securitisation	-	-	-

Bank portfolio securitisation exposures

	Value of exposures (by risk weighting band)					Value of exposures (by regulatory approach)				RWA (by regulatory approach)				Capital requirements after cap			
(in € millions)	<20%	20%-50%	50%-100%	100%-1250%	12.5	AFNNI	APNI	AS/APS	1250%	AFNNI	APNI	AS/APS	1250%	AFNI	APNI	AS/APS	1250%
Total exposure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Classic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which underlying retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	213	97	13	-	-	-	-	310	-	-	-	54	-	-	-	4	-
Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which underlying retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which non-senior	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

4.4.11 Large exposures

Regulations on large exposures are applied in accordance with the prudential requirements that apply to credit institutions and investment firms published in the official Journal of the European Union of 26 June 2013 (Directive 2013/36/EU and Regulation (EU) no. 575/2013 of the European Parliament and of the Council) and which entered into force on 1 January 2014. They stipulate that institutions must comply with the following limit: the total amount of risks incurred in respect of a single beneficiary may not exceed 25% of the Group's net equity.

At 31 December 2020, La Banque Postale was in compliance with the requirements of the Large Exposures regulations as notified to it by the supervisory authorities.

4.4.12 Quantitative counterparty credit risk information

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 standard approach	1,367	293
Based on the initial exposure method	-	-
TOTAL SUBJECT TO CAPITAL REQUIREMENTS WITH REGARD TO THE CREDIT VALUATION ADJUSTMENT (CVA)	**1,367**	**293**

4.5 FINANCIAL RISKS

Financial risks are presented in two parts in this section:

- overall financial risks, covering interest rate risk related to banking mismatches 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, within the meaning of prudential regulations, corresponds exclusively to transactions carried out with an intent to trade i.e., to only part of the market risk 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;
- annual review by the Committee of the overall liquidity envelope allocated to the Corporate & Investment Banking (CIB);
- setting the interest rate and liquidity strategy in accordance with La Banque Postale 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 currency risks based on 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 Internal Liquidity Adequacy Assessment Process (ILAAP) and Interest Rate Risk in the Banking Book (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 Risk Management Committee (MRMC)

This sub-committee of the Group Risk Management Committee is in charge of validating the models used by La Banque Postale Group, and includes the ALM models in of its mapping process and roadmap.

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

This committee of the Executive Board monitors capital management and asset risk-weighting matters and related indicators. In this respect, it defines capital management objectives (ratio, targets, etc.):

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

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 and inflation rates.

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

Fixed income trading desk transactions measured at fair value through profit or loss (trading portfolios) are not included in the overall interest rate risk management process 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 date (including customer deposits and livret accounts) are included in accordance with the outflow agreements approved by the ALM Committee and by the Group Risk Department through its Risk Management Rules Validation 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 average amount of fixed-rate liabilities including the effects of off-balance sheet items (swaps and amortisation of balancing payments), by maturity.

4

Interest rate gap by maturity (in € millions) at 31 December 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	**(182,220)**	**(112,997)**	**(53,998)**	**(6,604)**
Resources	**179,495**	**121,200**	**56,697**	**3,913**
Off-balance sheet	**3,648**	**2,073**	**1,254**	**290**
Rate gap 31 Dec. 2019	**(5,239)**	**4,505**	**1,623**	**(2,912)**
Rate gap 31 Dec. 2020	**923**	**10,276**	**3,954**	**(2,402)**
Adjustments	**6,162**	**5,771**	**2,331**	**510**

The marked increase in transactions to resolve fixed-rate mismatches in 2020 was due to the Covid-19 health, economic and social crisis. The sudden halting of economic activity in March 2020 had major implications for consumer spending, loan originations and savings among both retail and commercial banking customers. The household savings rate reached an all-time high in 2020, while loan originations fell sharply. Concerning home loans, the housing market came to an abrupt halt as soon as the lockdown came into effect, due to the complete ban on viewings and meetings to exchange contracts. Businesses benefited from cash facilities and government-backed loans to tide them over during the period of economic and financial uncertainty.

In another significant development in 2020, updated early repayment and renegotiation models had the effect of extending asset durations by eliminating over-estimates of early repayments and renegotiations in the old models. This balanced the increase in La Banque Postale's liabilities.

EVE (Economic Value of Equity) sensitivity

This corresponds to a negative change in value following an instantaneous shock of ±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.

Measurement rules are based on EBA guidelines on the management of interest rate risk arising from non-trading book activities, published in July 2018.

EVE sensitivity by level of parallel interest rate shock (in € millions) at 31 December 2020

	(200)	200	Flattening	Steepening	Exchange rate increase	Exchange rate decrease
EVE sensitivity at 31 Dec. 2019 *(in € millions)*	(201)	(110)	(360)	307	(116)	(251)
EVE sensitivity vs T1 capital at 31 Dec. 2019	**-1.98%**	**-1.08%**	**-3.55%**	**3.02%**	**-1.14%**	**-2.47%**
EVE sensitivity at 31 Dec. 2020 *(in € millions)*	(137)	(207)	(514)	95	(104)	(109)
EVE sensitivity vs T1 capital at 31 Dec. 2020	**-0.86%**	**-1.31%**	**-3.25%**	**0.60%**	**-0.65%**	**-0.69%**

The least favourable interest rate scenario for La Banque Postale is a flattening of yield curves (€514 million reduction in EVE, representing -3.25% EVE sensitivity vs Tier 1 capital. This compares to a regulatory limit of -15% (with an internal warning triggered at -13%).

In 2020, EVE sensitivity remained stable overall, despite a significant unfavourable change in La Banque Postale's asset/liability ratios. The first noteworthy effect was a €5.6 billion increase in total own funds (and Tier 1 capital) attributable to the integration of CNP Assurances on 4 March 2020. This increase in own funds automatically reduced the sensitivity of EVE vs Tier 1 capital.

At +200bps, the accumulation of fixed rate deposits led to a decrease in sensitivity that was offset by the rise in sensitivity attributable to an increase in fixed rate assets due to the effect of updating the early repayment and renegotiation models (reduction in estimated early repayments and renegotiations in the new model).

At -200bps, the main reason for the sensitivity's inertia was the fact that market interest rates are currently close to the floor rate set by the EBA, thereby reducing sensitivity to a fall in interest rates. In 2020, interest rates continued to fall, taking yield curves over periods of up to 20 years into negative territory. The ECB responded to the Covid-19 crisis by introducing a series of emergency measures to guarantee abundant liquidity and keep interest rates low in order to facilitate access to credit for all economic players. A major programme of sovereign and corporate debt purchases flattened the long-term yield curve, while the deposit facility rate has been kept at its current level or lower for the foreseeable future.

Effective from 31 December 2020, EVE sensitivity is measured in relation to Tier 1 capital, as required by the banking supervisor.

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 31 December 2020

	31 Dec. 2019	31 Dec. 2020
Translation +1	109	253
Translation -1	(98)	(124)
Steepening	(6)	(94)
Flattening	(10)	30
Rise in short-term rates	136	299
Drop in long-term rates	(24)	9

The least favourable scenario at 1 year for La Banque Postale is a shock of -100 basis points with a fall in NIM of €124 million for a forecast NIM of €1.9 billion, or 7%.

4.5.1.3 Liquidity risk

Liquidity risk reporting and assessment systems

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

Adequacy of liquidity risk management procedures

Liquidity risk management is based on:

- a system of guidelines and limits;
- a financing plan which ensures the equilibrium of La Banque Postale Group'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 Internal Liquidity Adequacy Assessment Process (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 €200 billion) consisting primarily of deposits from French retail customers;
- a significant HQLA portfolio (High-Quality Liquid Assets). La Banque Postale has traditionally invested a significant portion of its balance sheet in sovereign securities due to its historical activity as a deposit-taker. The customer credit business only began to develop in 2006. This portfolio contains only high-quality liquid assets in accordance with 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 Capital 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 system of guidelines and limits;
- 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 primarily on regulatory liquidity ratios and reports:

- 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% vs a higher internal target set by La Banque Postale – see above. The Group's LCR stood at 179% at 31 December 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 31 December 2020

Description	31 Dec. 2020	31 Dec. 2019
Liquid asset buffer	48,137	30,720
Cash outflows	(33,501)	(26,820)
Cash inflows	6,608	6,714
Net cash outflows	(26,892)	(20,106)
Shortfall	21,245	10,614
LCR	**179.0%**	**152.8%**
Ratio inflows/outflows	20%	25%

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.

Quantitative information on the hedging ratio of liquidity requirements

Scope of consolidation (individual/consolidated)									
Currency and units (€ millions)		Total non-weighted value (average)				Total weighted value (average)			
Quarter ending		31 Mar. 2020	30 Jun. 2020	30 Sep. 2020	31 Dec. 2020	31 Mar. 2020	30 Jun. 2020	30 Sep. 2020	31 Dec. 2020
Number of data points used to calculate		-	-	-	-	-	-	-	-
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					33,498	40,873	44,602	48,137
CASH OUTFLOWS									
2	*Retail deposits and deposits of small customer companies, of which:*	178,816	185,457	187,442	189,157	11,408	11,853	12,006	12,131
3	*Stable deposits*	132,134	136,803	137,764	138,789	6,607	6,840	6,888	6,939
4	*Less stable deposits*	46,682	48,654	49,678	50,368	4,801	5,012	5,118	5,191
5	*Unsecured wholesale financing*	14,027	15,739	16,655	19,186	7,671	8,320	9,196	11,886
6	*Operational deposits (all counterparties) and deposits in cooperative bank networks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	12,689	14,417	14,923	14,206	6,333	6,998	7,464	6,907
8	*Unsecured receivables*	1,338	1,322	1,732	4,979	1,338	1,322	1,732	4,979
9	*Secured wholesale financing*					348	315	184	291
10	*Additional requirements*	14,057	18,221	15,856	22,938	2,865	4,373	3,188	3,745
11	*Outflows associated with exposures to derivative instruments and other collateral requirements*	1,210	2,426	1,408	1,422	1,210	2,426	1,408	1,422
12	*Outflows associated with financing losses on debt products*	-	-	-	-	-	-	-	-
13	*Credit and cash facilities*	12,847	15,795	14,448	21,516	1,654	1,946	1,780	2,323
14	*Other contractual required funding*	2,140	5,082	5,311	4,096	2,140	5,082	5,311	4,095
15	*Other potential required funding*	8,230	8,378	8,606	1,536	1,700	1,893	2,089	1,353
16	**TOTAL CASH OUTFLOWS**					**26,131**	**31,836**	**31,975**	**33,501**
CASH INFLOWS									
17	Secured loan transactions (e.g., reverse repurchase transactions)	10,682	774	11,887	9,707	382	-	221	257
18	Inflows from fully performing exposures	1,231	1,936	1,197	1,175	700	1,051	682	675
19	Other cash inflows	68,870	68,393	68,581	68,225	8,696	6,581	6,352	5,677
EU-19a	*(Difference between total weighted cash inflows and total weighted cash outflows resulting from transactions in third countries in which there are restrictions on transfers, or denominated in non-convertible currency)*					-	-	-	-
EU-19b	*(Excess of cash inflows from a related specialised credit institution)*					-	-	-	-
20	**TOTAL CASH INFLOWS**	**80,783**	**71,103**	**81,666**	**79,107**	**9,779**	**7,632**	**7,255**	**6,608**
EU-20a	***Fully exempt cash inflows***	-	-	-	-	-	-	-	-
EU-20b	***Cash inflows subject to a 90% ceiling***	-	-	-	-	-	-	-	-
EU-20c	***Cash inflows subject to a 75% ceiling***	80,783	71,103	81,666	79,107	9,779	7,632	7,255	6,608
TOTAL ADJUSTED VALUE									
21	**LIQUIDITY BUFFER**					**33,498**	**40,873**	**44,602**	**48,137**
22	**TOTAL NET CASH OUTFLOWS**					**16,352**	**24,204**	**24,720**	**26,892**
23	**LIQUIDITY REQUIREMENT COVERAGE RATIO (%)**					**204.9%**	**168.9%**	**180.4%**	**179.0%**

Quantitative information on the hedging ratio of liquidity requirements

Scope of consolidation (individual/consolidated)

Currency and units (€ millions)		**Total non-weighted value (average)**				**Total weighted value (average)**			
Quarter ending		**31 Mar. 2019**	**30 Jun. 2019**	**30 Sep. 2019**	**31 Dec. 2019**	**31 Mar. 2019**	**30 Jun. 2019**	**30 Sep. 2019**	**31 Dec. 2019**
Number of data points used to calculate		-	-	-	-	-	-	-	-
HIGH-QUALITY LIQUID ASSETS									
1	Total high-quality liquid assets (HQLA)					27,930	29,858	30,029	30,720
CASH OUTFLOWS									
2	Retail deposits and deposits of small customer companies, of which:	173,107	174,255	175,287	175,127	10,997	11,072	11,148	11,153
3	*Stable deposits*	128,653	129,508	130,125	129,738	6,433	6,475	6,506	6,487
4	*Less stable deposits*	44,454	44,747	45,162	45,390	4,564	4,597	4,642	4,667
5	*Unsecured wholesale financing*	14,496	13,439	14,442	14,630	8,763	7,915	8,465	8,946
6	*Operational deposits (all counterparties) and deposits in cooperative bank networks*	-	-	-	-	-	-	-	-
7	*Non-operational deposits (all counterparties)*	12,186	11,599	12,490	11,266	6,453	6,075	6,514	5,582
8	*Unsecured receivables*	2,310	1,840	1,951	3,364	2,310	1,840	1,951	3,364
9	*Secured wholesale financing*					23	612	92	325
10	*Additional requirements*	11,456	13,665	13,738	15,189	2,073	2,279	2,302	2,725
11	*Outflows associated with exposures to derivative instruments and other collateral requirements*	800	807	792	1,026	800	807	792	1,026
12	*Outflows associated with financing losses on debt products*	-	-	-	-	-	-	-	-
13	*Credit and cash facilities*	10,657	12,859	12,946	14,163	1,274	1,472	1,510	1,699
14	*Other contractual required funding*	3,423	2,628	3,012	1,738	3,423	2,628	3,012	1,738
15	*Other potential required funding*	8,381	8,409	8,417	8,410	1,844	1,896	1,923	1,933
16	**TOTAL CASH OUTFLOWS**					**27,123**	**26,401**	**26,942**	**26,820**
CASH INFLOWS									
17	Secured loan transactions (e.g., Reverse repurchase transactions)	1,864	2,799	5,619	5,914	242	570	100	53
18	Inflows from fully performing exposures	1,229	1,388	1,210	1,510	751	781	692	844
19	Other cash inflows	73,331	71,041	71,859	67,511	8,978	6,487	6,987	5,817
EU-19a	*(Difference between total weighted cash inflows and total weighted cash outflows resulting from transactions in third countries in which there are restrictions on transfers, or denominated in non-convertible currency)*					-	-	-	-
EU-19b	*(Excess of cash inflows from a related specialised credit institution)*					-	-	-	-
20	**TOTAL CASH INFLOWS**	**76,424**	**75,228**	**78,688**	**74,935**	**9,971**	**7,837**	**7,779**	**6,714**
EU-20a	***Fully exempt cash inflows***	-	-	-	-	-	-	-	-
EU-20b	***Cash inflows subject to a 90% ceiling***	-	-	-	-	-	-	-	-
EU-20c	***Cash inflows subject to a 75% ceiling***	76,424	75,228	78,688	74,935	9,971	7,837	7,779	6,714
TOTAL ADJUSTED VALUE									
21	**LIQUIDITY BUFFER**					**27,930**	**29,858**	**30,029**	**30,720**
22	**TOTAL NET CASH OUTFLOWS**					**17,153**	**18,564**	**19,163**	**20,106**
23	**LIQUIDITY REQUIREMENT COVERAGE RATIO (%)**					**162.8%**	**160.8%**	**156.7%**	**152.8%**

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 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 31 December 2020

Average spot gaps

(in € millions)	1 year	3 years	5 years
Uses	(187,563)	(138,947)	(102,149)
Resources	215,154	165,180	124,680
Off-balance sheet	0	0	0
Liquidity gap at 31 December 2019	**10,241**	**19,637**	**17,057**
Liquidity gap at 31 December 2020	**27,590**	**26,233**	**22,531**
Adjustments	**17,349**	**6,596**	**5,474**

The gap (excess liabilities) increased in 2020 (+€17.3 billion over one year and +€5.5 billion over five years), mainly reflecting the effect of the Covid-19 crisis on economic and business activity in France and throughout the world. La Banque Postale's asset/liability ratios were skewed by a significant inflow of deposits vs a slowdown in new lending, leading to an accumulation of fixed rate liabilities and liquidity reserves during 2020.

Another change in 2020 concerned the updating of authorised overdraft models, which had a positive impact on liquidity (+€4.2 billion over five years).

"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 organisation is to provide reassurance to La Banque Postale's management regarding the heightened 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.

La Banque Postale's self-financing capability was successfully tested twice in 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 guaranteed property loans that can be refinanced by the Group's home loans company by issuing covered bonds also represent a significant source of liquidity (around €8.9 billion in potential collateral at 31 December 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 2020 (in € millions)

Liquidity reserve

(in € millions)	31 Dec. 2020
Cash and central banks	42,783
Unencumbered HQLA securities	5,354
Other eligible ECB securities	5,496
TOTAL LIQUIDITY RESERVE	**53,633**

Ability to access external financing

In line with the ALM Committee and the Group Risk Management Committee's prudent liquidity management, La Banque Postale has secured diversified sources of financing, including:

- a €20 billion NEU CP (Negotiable European Commercial Paper) programme and a €10 billion ECP (European Commercial Paper) programme to refinance a portion of La Banque Postale's short-term financing requirements and satisfy demand from institutional customers;
- a €2 billion NEU EMTN programme to refinance a portion of La Banque Postale's short-term financing requirements and satisfy demand from institutional customers;
- a €10 billion retail EMTN programme enabling the issue of senior (vanilla and structured), non-preferred senior and Tier 2 debt;
- a €10 billion retail structured senior debt programme;
- a €30 billion EMTN programme for the issue of home loan bonds (*obligations de financement de l'habitat* – OFH) via its secure financing vehicle, La Banque Postale Home Loan SFH, a La Banque Postale SA subsidiary created in 2013;
- access to European Investment Bank (EIB) refinancing under La Banque Postale's eligible funds commitment;
- a portfolio of HQLA (High-Quality Liquid Asset) securities, consisting mainly of rapidly accessible, high-quality government bonds which represent a stable source of eligible assets enabling access to ECB refinancing operations or to the securities repo market;
- access to the Brokertec and Eurex Repo platforms;
- access to the interbank market;
- La Banque Postale also has access to a secured financing vehicle via the Caisse de Financement Local (CAFFIL), to which it regularly sells originated local public sector loans.

In addition, La Banque Postale participated for larger amounts in the ECB's targeted longer term financing operations (TLTRO III) during the Covid-19 crisis that began in the spring of 2020. Its TLTRO III borrowings were based on a prudent and preventive approach, in response to the extreme tension in the credit markets during this period.

4.5.1.4 Encumbered / Unencumbered assets

Encumbered / unencumbered assets

(in € thousands)	Carrying amount of encumbered assets	of which eligible central bank	Fair value of encumbered assets	of which eligible central bank	Carrying amount of non-encumbered assets	of which eligible central bank	Fair value of unencumbered assets	of which eligible central bank
Assets of the institution	121,776,454	30,374,863	-	-	180,043,971	12,835,689	-	-
Loans payable on demand	-	-	-	-	27,505,907	-	-	-
Equity instruments	110,135	-	-	-	275,280	-	275,280	-
Debt securities	30,553,324	30,374,863	31,471,338	31,269,255	17,266,277	12,835,689	23,727,826	14,470,302
of which covered bonds	***6,815,973***	***6,815,973***	***6,832,448***	***6,832,448***	***3,401,836***	***3,140,509***	***3,394,735***	***3,133,408***
of which asset-backed securities	***-***	***-***	***-***	***-***	***76,314***	***51,807***	***76,314***	***51,806***
of which public administration	***23,137,774***	***23,107,134***	***24,473,358***	***24,442,719***	***4,248,879***	***3,481,269***	***4,500,182***	***3,924,571***
of which financial institutions	***7,289,334***	***7,118,540***	***7,306,234***	***7,144,439***	***11,230,364***	***9,496,983***	***16,867,688***	***9,480,458***
of which non-financial sector companies	***28,403***	***23,116***	***28,403***	***23,116***	***1,548,250***	***271,147***	***1,559,890***	***359,838***
Loans and advances other than loans on demand	89,771,164	-	-	-	107,864,893	-	-	-
of which mortgage loans	***7,747,316***	***-***	***-***	***-***	***19,330,275***	***-***	***-***	***-***
Other assets	1,229,355	-	-	-	19,003,208	-	-	-

(in € thousands)	Unencumbered collateral				
	Fair value of encumbered collateral received or own debt securities issued	of which eligible central bank	Fair value of collateral received or own debt securities issued available for encumbrance	of which eligible central bank	Nominal value of collateral received or own debt securities issued which cannot be committed
Collateral received by the institution	13,244,231	13,244,231	15,976,287	15,961,894	67,169,951
Loans payable on demand	-	-	-	-	-
Equity instruments	-	-	-	-	-
Debt securities	13,244,231	13,244,231	15,976,287	15,961,894	-
of which covered bonds	***-***	***-***	***1,251,510***	***1,251,510***	***-***
of which asset-backed securities	***-***	***-***	***295,618***	***294,336***	***-***
of which public administration	***12,640,727***	***12,640,727***	***14,382,213***	***14,378,713***	***-***
of which financial institutions	***603,003***	***603,003***	***1,578,878***	***1,557,081***	***-***
of which non-financial sector companies	***-***	***-***	***29,435***	***29,435***	***-***
Loans and advances other than loans on demand	-	-	-	-	-
Other collateral received	-	-	-	-	67,169,951
Own debt securities issued other than own covered bonds or ABSs	-	-	-	-	-
Total assets and/or collateral received and own debt securities issued	135,020,685	43,091,606	-	-	-

(in € thousands)	Backed liabilities, potential liabilities or securities which have been loaned	Assets and/or collateral received and own debt securities issued other than covered bonds and encumbered ABSs
Carrying amount of selected financial liabilities	125,721,109	126,825,777
Derivatives	1,665,362	480,596
of which OTC	1,663,466	468,598
Deposits	114,856,422	103,741,178
Repo agreements	34,934,393	35,649,595
of which central bank	-	-
Collateral deposits other than repo agreements	79,922,029	68,091,583
of which central bank	-	-
Debt securities	9,141,144	21,874,023
of which covered bonds	***9,141,144***	***21,874,023***
of which asset-backed securities	-	-
Other encumbered assets	7,784,221	8,194,909
Par value of loan commitments received	7,784,221	8,194,909
Financial collateral received	-	-
Fair value of securities issued with non-financial collateral	-	-
Other	-	-
TOTAL ENCUMBERED ITEMS	**133,505,330**	**135,020,685**

La Banque Postale Group's encumbered assets consist of the following:

- securities delivered under repurchase agreements with other financial counterparties;
- securities pledged for the Central Bank and Crédit Logement;
- home loans pledged in order to hedge bond issues made by the Group's home finance company (La Banque Postale Home Loan SFH) in favour of holders;
- margin calls on securities and derivatives;
- collateral deposits.

4.5.1.5 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 31 December 2020, La Banque Postale's currency position represented €62 million, of which around 98% 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, managing market risks is the responsibility of the Financial Risk Department (DRF), and particularly the Market Risk unit.

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. Market limits under the Group Risk Management Policy are approved by the Executive Board. Operational limits under Risk Management Rules are approved by the Market Risk Committee.

4.5.2.2 Market risk within the Group

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

- in the insurance subsidiaries:
  - La Banque Postale Prévoyance,
  - La Banque Postale Assurances IARD,
  - La Banque Postale Assurance Santé,
  - CNP Assurances;
- in the asset management subsidiaries:
  - La Banque Postale Asset Management;
- 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.

Valuation

The official fair value measurement of market transactions is the responsibility of the Financial Risk Department. 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 La Banque Postale's loss exposure. It gives an estimate of maximum potential losses over a specified period with a given probability. However, VaR does not indicate the various levels of potential losses that may arise from infrequent events.

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

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

In line with a prudent approach, La Banque Postale decided to apply a VaR indicator (one-day, 99%) to all of its mark-to-market positions. The VaR indicator used by La Banque Postale is a parametric VaR, calculated using a variance-covariance matrix that covers La Banque Postale's exposure to interest rate, spread, exchange rate, volatility and equity risks.

This matrix is calculated using a decay factor designed to give a higher weighting to recent movements than to older ones.

The resulting VaR partly covers option-related risks, with second-degree risks not taken into account. Although they are not currently material in relation to total positions, an increase in option positions could lead the Group Risk Department to adopt a more appropriate methodology. Moreover, option risk monitoring indicators are deployed.

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

Stress scenarios

VaR, which is calculated on the assumption that it follows a normal distribution, is estimated under normal market conditions and does not provide any information on the amount of the potential loss when the VaR is exceeded. 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 trades on all markets (UCITS, currencies, fixed-income, credit and derivatives). However, at present, it mostly deploys directional strategies on the fixed-income, credit and UCITS markets. Accordingly, the defined crisis scenarios mainly impact interest rate curves, credit spreads and UCITS, according to their asset class.

A distinction is made between two major stress families – historical stresses and hypothetical stresses.

- historical stresses are based on historical facts (events which have actually occurred). To build the scenarios, changes which took place in the past during major financial crises are applied to current market conditions. These are historical scenarios;
- hypothetical stresses are scenarios that adopt plausible variations which, although they have never occurred, could threaten the organisation if they did. These shocks are calibrated with assumptions based on historical statistics drawn from market data.

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

Historical scenarios reconstruct the following 12 financial crises:

- stock market crash of 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

A distinction is made between three levels of market risk limits corresponding to three escalation levels:

- limits set by the Supervisory Board in the Risk Appetite Statement (RAS) and the associated limits table;
- limits rolled down to the business units in the Risk Management Policy approved by the Executive Board in Group Risk Management Committee meetings;
- more detailed operational limits approved by the Market Risks Committee and checked for consistency with the RAS and the Risk Management Policy by the Group Risk Department.

The Group Risk Management Committee and the Risk Committee of the Supervisory Board are regularly informed as to the implementation of these limits and traders' compliance with them.

The system of limits is adapted to the organisation of La Banque Postale's financial activities. The trading 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.

Limit overruns

Limit overruns that are required to be reported to the Supervisory Board or Executive Board are managed via an alert procedure defined in the limit overrun management standard approved by the Risk Management Rules Committee of the Group Risk Department. Limit overruns that are required to be reported to the Group Risk Department are managed according to a special procedure in the Market Risk Management System.

Taking account of the given context, the 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.

Limit overruns (lasting for periods of three days or more in the case of overruns required to be reported to the Group Risk Department) and temporary overrun authorisations are reported each month to the Group Risk Management Committee and must be logged in an overrun notification report signed off 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 and currencies approved by the Market Risk Committee. All new instruments appearing on that list must first be approved by the New Market Instruments Committee.

The Financial Risk Department ensures that this list is complied with, and that there is sufficient operational capacity to manage these products and currencies, particularly in terms of risk calculation.

The transactions carried out in the market risk scope use traditional instruments commonly found in the financial markets:

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

The main changes in 2020 concerned authorisations to use currency options, constant maturity swaps and listed American equity options.

4.5.2.7 Risk exposure

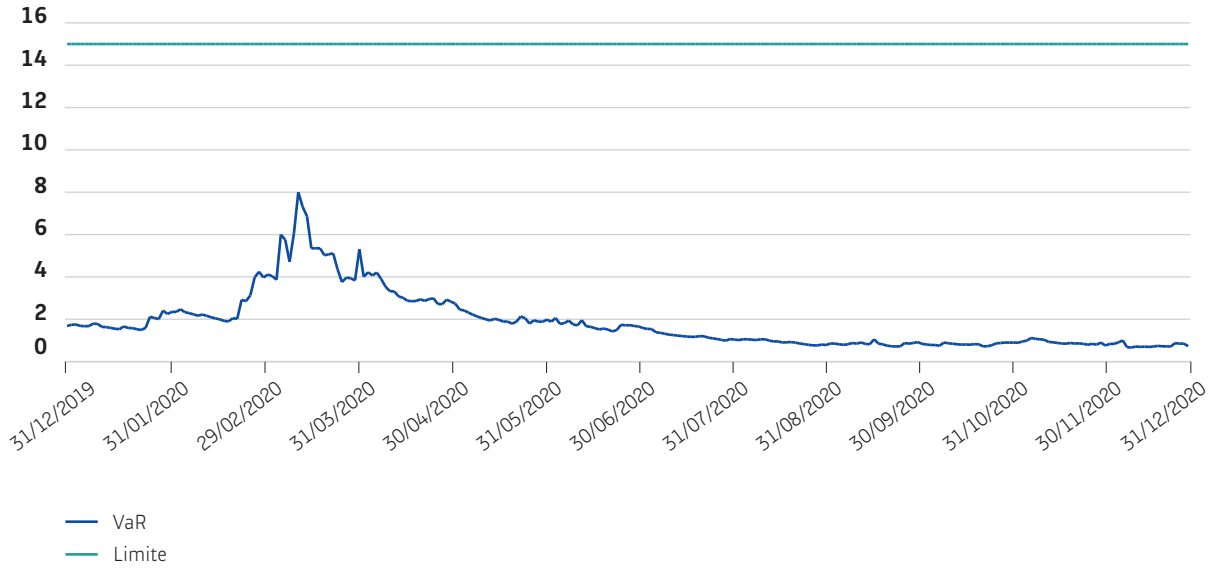
La Banque Postale is exposed to market risks due to its cash management and surplus liquidity management activities (portfolio of assets available for sale and hedging transactions), and through transactions undertaken on behalf of customers.

The market portfolio comprises the trading portfolio, as well as banking portfolio transactions including transactions in available-for-sale securities and certain securities lending and borrowing transactions.

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

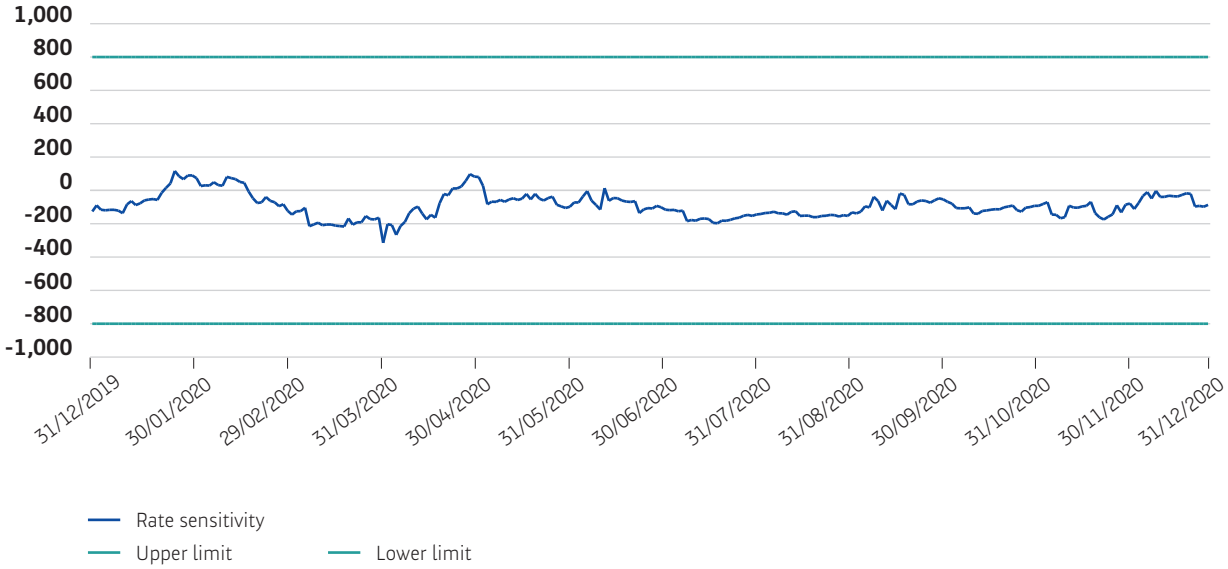
4.5.2.8 Change in the main risk indicators for the trading room in 2020 and monitoring limits for the "Fair value through profit or loss" scope

TRADING ROOM VALUE AT RISK (IN € MILLIONS)



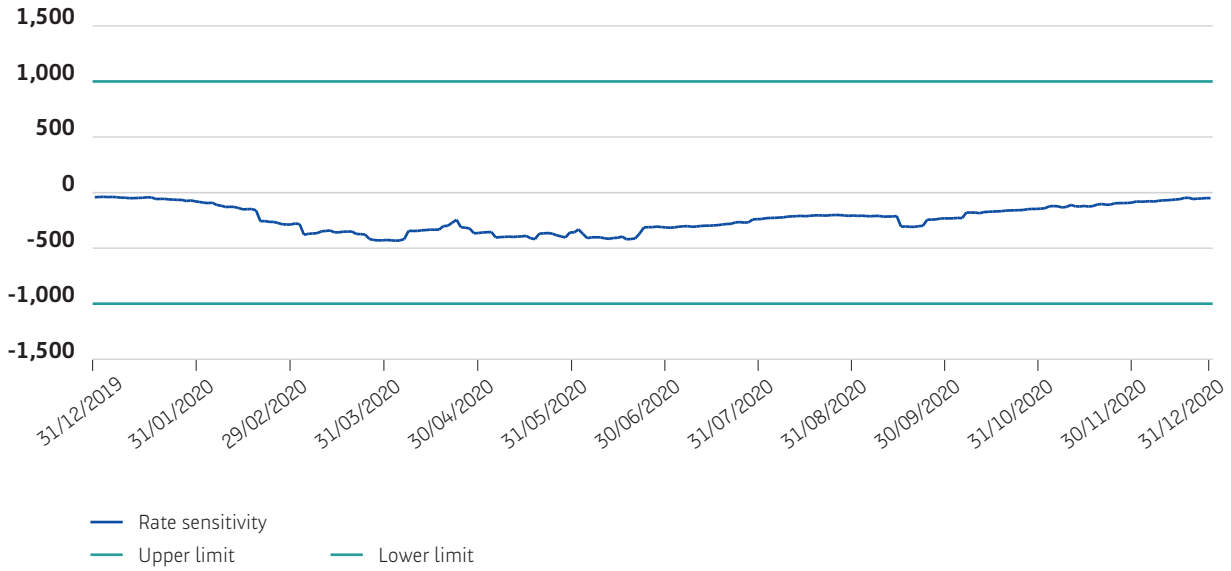
The value at risk (VaR) of the trading portfolios remained below its limit at around €2 million over the period before the Covid-19 crisis hit. During the crisis, the high level of financial market volatility led to a sharp rise in VaR (peaking at €8 million at the end of the first quarter of 2020). The increase was limited by actively reducing trading desk positions. As volatility eased, VaR fell back to around €1 million to €2 million in the second quarter.

INTEREST RATE SENSITIVITY (IN € THOUSANDS/BP)



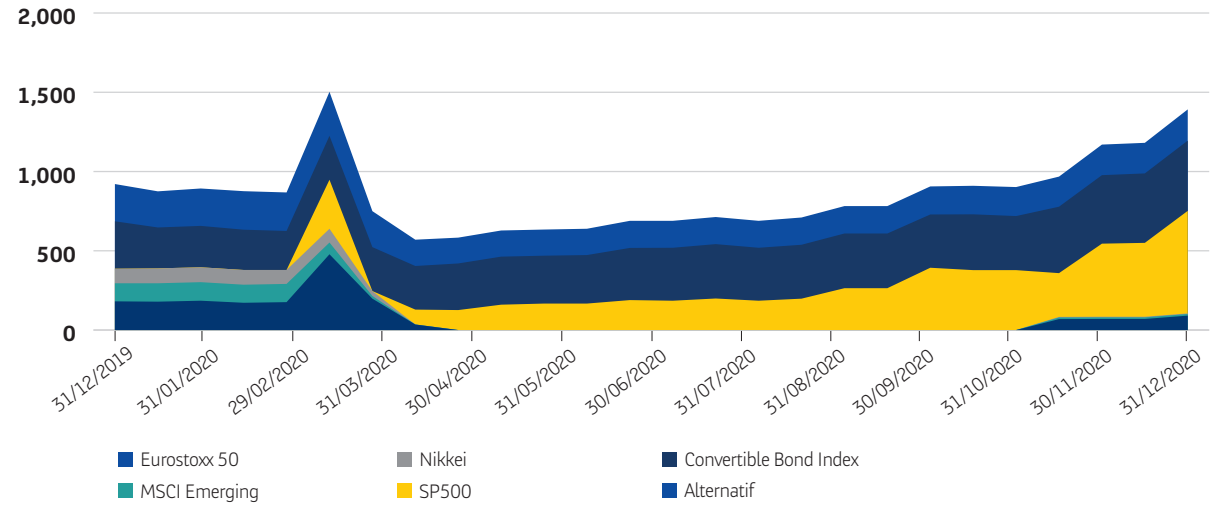
The sensitivity of the trading portfolio to changes in interest rates ranged from +€100,000/bp to -€315,000/bp, and remained well within the authorised limits (+/- €800,000/bp).

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



The credit sensitivity of the trading portfolio ranged from €0/bp to -€430,000/bp in the first half before disappearing almost completely at the end of 2020.

SENSITIVITY TO INDICES



Sensitivity to equity indices declined due to a reduction in trading desk positions during the first half of 2020 in response to the Covid-19 crisis, before increasing following a revival of investments in equities.

4.5.2.9 Capital requirements for market risk and for CVA

Market risk under the standard approach

(in € millions)	RWA	Capital requirements
CONFIRMED REVENUE		
Interest rate risk (general and specific)	636	51
Equities risk (general and specific)	-	-
Exchange rate risk	47	4
Commodities risk	-	-
Options	-	-
Simplified approach	-	-
Delta Plus approach	-	-
Scenario-based approach	-	-
Securitisation (specific risk)	-	-
TOTAL	**683**	**55**

4.5.3 Exposure to portfolio equities not included in the trading book

(in € millions)	Exposure
Equity investments	13,130
Subordinated securities	267
Other	42
TOTAL EQUITIES RISK	**13,440**

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

In 2020, revised net losses relating to operational risks totalled €119 million, including operational losses incurred by CNP Assurances.

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 31 December 2020.

The "external fraud" family is La Banque Postale Group's main exposure (41%). This risk relates to recurring fraud essentially relating to cash and to bank transfers, which increased significantly in the online banking business in 2020. However, measures taken over the past few years under the aegis of General Management have strengthened anti-fraud procedures and have significantly reduced losses resulting from this risk.

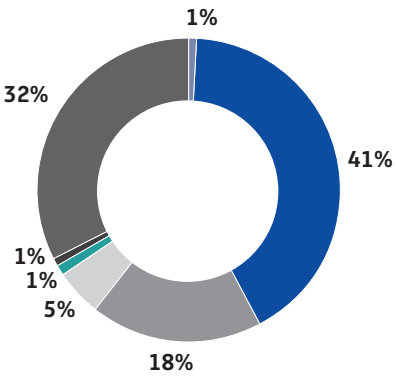
The "Process execution, delivery and management" family is La Banque Postale Group's second largest exposure in value terms (32%). This category of risks is mainly associated with single high-impact incidents.

The third largest exposure relates to the "Employment practices and occupational health and safety" family. This exposure increased sharply in 2020, as losses resulting from operational risks associated with the health crisis were taken into account.

From a prudential perspective (losses relating to operational risks of above €5,000, excluding losses arising in the Insurance business), revised net losses in respect of operational risks totalled €99 million.

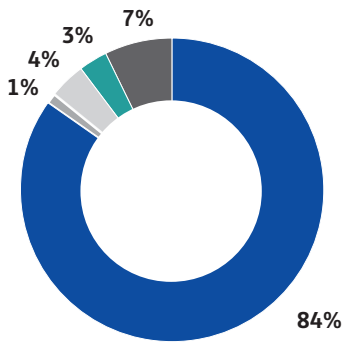
The diagrams below are based on historical data from a prudential perspective.

INCIDENTS ASSOCIATED WITH OPERATIONAL RISK, BY NUMBER (AVERAGE FROM 2016 TO 2020, %)



- Internal fraud
- External fraud
- Workplace use and safety practices
- Clients, products and business practices
- Damage to physical assets
- Interruptions to business and system failures
- Process execution, delivery and management

INCIDENTS ASSOCIATED WITH OPERATIONAL RISK, BY VALUE (AVERAGE FROM 2016 TO 2020, %)



- Internal fraud: **0%**
- External fraud
- Workplace use and safety practices
- Clients, products and business practices
- Damage to physical assets
- Interruptions to business and system failures: **0%**
- Process execution, delivery and management

Breakdown by business line, by average value from 2016 to 2020	
Business financing	0%
Trading and sales	0%
Retail brokering	0%
Commercial banking	13%
Retail Banking	49%
Payment and settlement	21%
Agency services	0%
Asset management	2%
Corporate items	15%

4.6.2 Regulatory framework and definition

In accordance with Regulation (EU) 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, including its insurance entities. 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.

  During the present "transition" period, work is being conducted to define the operational procedures for deploying La Banque Postale's operational risk management system within CNP Assurances. The procedures rolled out in 2020 included:

  - drawing up a consolidated map of La Banque Postale Group's operational risks, taking into account CNP Assurances. This map was validated by the Supervisory Board's Risk Committee in June 2020,
  - sharing CNP Assurances' indicators for monitoring operational risk,
  - gradually putting in place a process for reporting information to La Banque Postale Group's Risk Department: incidents relating to the CNP Assurances group representing amounts of over €100,000 (per incident) have been reported on an ongoing basis since May 2020.

Work is also being carried out on converging the tools and methodologies used to monitor and oversee operational risks in terms of risk assessment and reporting:

- 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.

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**: establish operational risk policy and governance for La Banque Postale Group, define operational risk management standards, methods and tools and ensure their operational application (supervision of the OR function);

- **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;
- **provide support**: help the members of the organisation with the implementation and supervision of the system within the entities of La Banque Postale Group, contribute to building their professional skills;
- **anticipate future threats**: identify and model low-frequency high-impact scenarios, identify weaknesses;
- **ensure proper compliance**, within the La Banque Postale Group, with the rules, standards and methods defined in terms of the management of operational risks.

4.6.4.2 Operational risk management stakeholders

The respective roles and responsibilities of operational risk management stakeholders within La Banque Postale Group are formally documented in the Group Risk Management 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.

4.6.4.3 Governing bodies

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

Each entity must hold a Risk and 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 per year with the Risk Managers at the Operating Risk Management Days. These meetings notably enable the actions initiated by the organisation to be coordinated, best practices to be exchanged and potential changes to the operational risk management system to be considered.

4.6.5 Current systems

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

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

The system is mainly based on:

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

The 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.

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 it was produced.

Information systems security is the responsibility of the business lines under the leadership of the Group Head of Cyber Security. The cross-functional 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 the governance bodies of the Group's risk exposure.

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.

In 2020, La Banque Postale appointed a Head of Cyber-Security to define and coordinate the cyber-security strategy for La Banque Postale Group and its subsidiaries, including CNP Assurances. The Head of Cyber-Security reports to the Head of Operational Risk. To optimise and clarify ISS processes, the new Cyber-Security Department brings together the ISS skills of the Operational Risk Department and those of the Risk Management unit of the Banking Network Information Systems Department.

4.6.5.2 Emergency and Business Continuity Plan (EBCP) and Safety of Persons and Property (SPP)

The La Banque Postale 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 La Banque Postale Group's reputation and ensure its staying power.

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

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

La Banque Postale has identified four scenarios in which business continuity is compromised, which may combine:

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

To varying degrees, events during the past two years have greatly increased La Banque Postale Group's operational resilience. Resilience will be a major focus of the work to be performed in 2021 by the new Resilience and Protection team within the Operational Risk Department. The new team will look to identify risks, minimise potential threats and failures, and react and adapt to disruptive events in order to reduce their impact on critical operations in the event of a disruption.

4.6.5.3 Risks related to outsourcing

La Banque Postale Group is exposed to risks that may arise when outsourcing its activities. Outsourcing risks are managed by a specific system and governance structure:

- in terms of governance, La Banque Postale has an Outsourcing Function which falls under the responsibility of La Banque Postale Group's General Secretary. The tasks of the Outsourcing Function are performed by the Group Risk Department, the Legal Department and the Group Purchasing Department, as applicable. The Operational Risk Department (reporting to the Group Risk Department) manages the outsourcing process and any reporting to governance bodies;
- an outsourcing policy is validated by the Executive Board. This policy:
  - defines La Banque Postale's principles for all outsourcing arrangements,
  - describes the framework for managing outsourced services within La Banque Postale Group, in compliance with applicable regulations, the EBA/GL/2019/02 guidelines on outsourcing arrangements of 25 February 2019, and La Banque Postale's internal policies;

The outsourcing policy aims to cover all phases relating to the outsourcing process and to set out the rules, roles and responsibilities for identifying, classifying, contracting, monitoring and supervising La Banque Postale's service providers, taking into account the specific challenges inherent to each of those services.

It applies to activities outsourced to service providers external to La Banque Postale Group as well as those outsourced within La Banque Postale Group (intragroup agreements between La Banque Postale and one of its subsidiaries, outsourcing agreements between La Banque Postale subsidiaries, etc.).

The outsourcing policy applies to all types of outsourcing, and in particular (i) Outsourced Essential Services as defined by the government order of 3 November 2014 on the internal control environment of entities in the banking, payment services and investment services sector subject to ACPR supervision ("banking essential services") and RGAMF ("asset management essential services"), along with Critical and Important Services ("PIC") as defined by Article L. 354-3 of the French Insurance Code ("insurance essential services") and (ii) critical or important functions relating to outsourcing as set out in the EBA/GL/2019/02 guidelines on outsourcing arrangements of 25 February 2019.

The policy covers all of La Banque Postale Group's activities and takes into account the specific regulations applicable to each activity on a standalone basis.

- A specific risk management and oversight system applies to outsourcing risks, based on:
  - a systematic upstream process classifying the level of risk related to each outsourcing project,
  - a specific regulated and contractual framework, adapted to the level of risk associated with the service and compliant with all regulatory requirements,
  - a dedicated, comprehensive permanent control system (management of services, first- and second-tier permanent controls, audits of service providers), applicable to all major outsourced services identified by each Group entity;

The outsourcing risk management system is deployed in all La Banque Postale Group entities under the supervision of the Group Risk Department, which is responsible for oversight and reporting.

4.6.6 Calculation of capital requirements in respect of operational risk

Calculation method

The entire La Banque Postale Group implements a calculation of capital requirements according to the standardised approach pursuant to Articles 317 to 320 of Regulation (EU) no. 575/2013 of 26 June 2013.

The calculation of risk-weighted assets is obtained by multiplying the capital requirements by 12.5.

Summary table

	31 Dec. 2020		31 Dec. 2019
(in € millions)	Risk-weighted assets	Capital requirements	Risk-weighted assets
Standardised approach	9,265	741	9,504

4.7 INSURANCE RISKS AND ADDITIONAL SUPERVISION OF CONGLOMERATES

4.7.1 Insurance risks

The information given in this section complements Notes 24, 25 and 26 of the consolidated financial statements set out in CNP Assurances' Universal Registration Document (Chapter 5.1), and falls within the scope of the statutory auditors' report on the consolidated financial statements. Given the predominance of its pensions and savings business, the CNP Assurances group is primarily exposed to market risks such as ALM and insurance risks.

The insurance business is dominant in La Banque Postale Group's new structure, and exposure to insurance risks mainly concerns CNP Assurances, along with La Banque Postale's three legacy insurance subsidiaries.

The insurance business complements La Banque Postale Group's banking products and services, offering customers a broad and innovative range of insurance products that respect the values of affordability and trust associated with La Banque Postale Group.

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

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

The insurance business is discussed in a dedicated section of this Universal Registration Document (see Chapter 1, Section 1.4.2 "Insurance".)

4.7.1.1 Management of insurance risks

All of La Banque Postale Group's subsidiaries that operate in the insurance sector must meet the applicable regulatory requirements at all times. As head of a financial conglomerate, La Banque Postale Group is responsible for ensuring that each of its subsidiaries respects all such requirements. More generally, for all of its insurance businesses, La Banque Postale Group makes sure that the risk management procedures in place are consistent with the principles of the Risk Management Operational Policy (RMOP) set out in its Risk Appetite Statement and Risk Organisation Charter.

These documents have been updated in order to reflect changes related to the integration of CNP Assurances into La Banque Postale Group. The RMOP is rolled down based on the legal and regulatory framework resulting from the "Solvency II" and "FICOD" directives, as transposed into French law. The Policy sets out the strategies, principles and processes making it possible to identify, measure, manage and monitor the risks to which the insurance businesses of La Banque Postale Group are exposed.

La Banque Postale Group's policy for managing risks related to its insurance business is described below.

4.7.1.1.1 CNP Assurances

The general principles of technical insurance risk supervision and commitments are set out in the Group's Risk Management Policy. CNP Assurances' underwriting policy lays down the governance arrangements and delegation process for new insurance commitments. The Business Units and subsidiaries draw up detailed underwriting policies specific to their products and markets.

CNP Assurances' reinsurance policy also defines the conditions in which reinsurance must be used to mitigate technical insurance risks. This reinsurance policy is also rolled out in its subsidiaries.

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

The main risks linked to insurance activities are monitored by La Banque Postale Group's Risk Management Committee and CNP Assurances' Group Risk Committee.

CNP Assurances' risk management policy is described in more detail in its 2020 Universal Registration Document.

4.7.1.1.2 Risk Management Policy for the Insurance Division

Within the framework of La Banque Postale Group's Risk Management Operational Policy and by delegation of La Banque Postale Group's Risk Management Department, the definition and implementation of the risk management, control and oversight system for the insurance activities of the Insurance Division of La Banque Postale and its subsidiaries are entrusted to the Finance, Risk, Compliance and Legal Department of the Insurance Division, which:

- develops and seeks approval for an Insurance Risk Management Policy which is integrated into the Risk Management Operational 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 La Banque Postale Group's Insurance Division to have a consolidated view of the 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 an overview 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 Head of the Insurance Division's Risk and Actuarial Department. Committee meetings are attended by managers from various functions involved in risk control and management at the La Banque Postale Group:

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

    General Management has various responsibilities in terms of implementing the internal control risk management and monitoring system. It:
    - implements the Insurance Risk Management Policy,
    - oversees the allocation of equity to the different businesses,
    - defines operational risk limits and performs regular reviews according to changes in the risk profile,
    - defines the organisation of the subsidiary in detail, particularly the associated decision-making procedures,
    - defines and develops an internal control environment,
    - ensures that an appropriate structured reporting system is in place,
    - reviews the risk indicator dashboard and updates the risk map,
    - makes recommendations to the Board of Directors concerning any measures designed to adapt and improve the internal control and risk management system,
    - applies the Board of Directors' guidelines as to the measures to be taken to mitigate the risks identified and/or make improvements based on the reports received,
    - informs the Board of Directors of any material issues or risks;

    The role of the Insurance General Management Committee is to:
    - implement the strategy of the Insurance Division,
    - monitor the progress plan and implement any required corrective action,
    - define and coordinate the Insurance Division's activities,
    - manage the results and resources of the Insurance Division,
    - propose structural operational solutions for the Insurance Division,
    - guarantee seamless coordination with La Banque Postale Group and lend it its expertise,
    - put forward new growth projects, develop the Insurance Division's medium-term business plan and monitor its implementation;

- the Risk Management Committee, which falls under the responsibility of the Risk Management Function, assists General Management with:
  - defining and monitoring the risk strategy and the associated levels of economic capital, and defining any corrective actions,
  - providing oversight of the risk management system and plans of controls,
  - ensuring regular production of the risk indicator dashboard and analysing the results;
- the Model and Assumptions Committee of each subsidiary, which reports to the Actuarial Function and enables General Management, the Actuarial Function and the Risk Management Function to:
  - obtain 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,
  - ensure that there is an adequate level of documentation,
  - obtain approval for the management strategies proposed to the Company's business heads,
  - take part in training managers on the tools and their limits, and arbitrate on the assumptions, legal framework and models used for decrees;
- the Product Review Committee, which reports directly to General Management, and:
  - analyses new products and guarantees and their risks in order to ensure that they are aligned with the business plan and the risk profile of the subsidiary,
  - approves or rejects planned launches of new products or guarantees before they are presented to La Banque Postale's Product Review Committee;
- Partnership Management Committees, which report to General Management and ensure that service providers implement their contractual commitments in terms of risk management;
- the four key functions of each subsidiary: Risk Management, Compliance Checking, Actuarial Verification and Internal Audit. The key functions report on their work to the Audit and Risk Committee, which in turn reports to the Board of Directors.

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

4.7.1.2 Classification of insurance risks

La Banque Postale Group classifies insurance risks in its insurance business as described below.

4.7.1.2.1 CNP Assurances

The risks described below are inherent in the economic, competitive and regulatory environment in which CNP Assurances operates.

The main risks to which CNP Assurances is exposed are set out in this section.

CNP Assurances is exposed to the following four categories of risks:

- **risk factors linked to the financial markets:** risk of falling interest rates and persistently low rates, risk of falling share prices, corporate credit risk, real estate risk, sovereign credit risk;
- **underwriting risk factors linked to the insurance business**: policy surrender or cancellation risk, morbidity risk;
- **operational risk factors linked to the business:** outsourcing risk, product and client interaction compliance risk, information systems and data risk, and model risk;
- **strategic risk factors**: strategic partnership risk, country risk, regulatory risk.

2020 was shaped by the systemic health crisis caused by the Covid-19 pandemic. The impacts on La Banque Postale Group's operating activities were limited. The crisis had a significant impact on CNP Assurances' business in the first half of 2020, with a 32.3% decline in premium income for that period. The impact of the crisis eased in the second half of the year, thanks in particular to reinvigorated performances in Brazil and by CNP UniCredit Vita in Italy.

The Covid-19 crisis underlines the importance of risk factors linked to the financial markets, which were closely monitored throughout 2020, with strengthened oversight and additional stress scenarios analysed. The crisis led to a fall in the Group's SCR coverage ratio, which stood at 208% at the end of 2020 compared to 227% at end-2019, primarily reflecting adverse market fluctuations during the period (down 40 points).

The impacts of the crisis on the risk factors are detailed in the sub-sections of this part of the report.

Risk factors linked to the financial markets

Risk of a fall in interest rates and persistently low interest rates

During a period of falling interest rates, interest and redemption proceeds are reinvested at a lower rate, leading to a gradual erosion of bond portfolio yields. A prolonged fall in interest rates makes contractual loading more difficult to apply to savings and pension products and exposes the insurer to a risk of lower margins, especially on traditional life insurance products. In more unfavourable scenarios, despite the relatively low proportion of contracts with a guaranteed yield, there is a risk that asset yields will be insufficient to cover contractually guaranteed yields, forcing the Group to use its own-funds portfolio to pay the guaranteed amount.

The health crisis prompted a further fall in interest rates in 2020. Although the impacts of this fall were limited from an accounting perspective, owing to a positive impact on fixed-income assets combined with a fairly neutral impact on liability estimates – which are estimated retrospectively in accordance with IFRS 4, fair value metrics were affected, in particular the Solvency II coverage ratio and the MCEV©.

This is because the coverage ratio and the MCEV© are calculated by reference to an economic balance sheet based on the estimated fair value of liabilities and assets, but the increase in the fair value of liabilities was greater than the increase in the fair value of assets on account of:

- significant guarantees included within non-unit-linked liabilities, which represent the bulk of CNP Assurances' business;

- the maturity mismatch between unit-linked liabilities and assets, with longer maturities for liabilities.

The decline in benchmark interest rates used to prepare the economic balance sheet therefore led to a decrease in Solvency II own funds in 2020. A further decline in interest rates going forward would continue to reduce the Solvency II coverage ratio and the MCEV©.

CNP Assurances has non-unit-linked insurance commitments in France and elsewhere in Europe, representing €249 billion, or 95% of average technical reserves excluding unit-linked portfolios in 2020. The fixed-income portfolio represents 58% of the CNP Assurances group's assets, and a carrying amount (under IFRS) of €233 billion.

In total, a 50-point decline in European interest rates would result in a 26-point reduction in the consolidated SCR coverage ratio, which stood at 208% at 31 December 2020. In addition, a 50-point decline in European interest rates would reduce the value of CNP Assurances' in-force business, as measured for MCEV© calculation purposes, by €3.5 billion.

For several years, CNP Assurances has followed a policy of setting aside a portion of the investment income generated by its investments in the policyholder surplus reserve, which could be used in such a situation. If interest rates stay low in the future, we may have to use the reserve to top up policyholder dividends. Pursuant to the government order relating to surplus funds in life insurance dated 24 December 2019, a substantial portion of the policyholder surplus reserve can be included in the calculation of the SCR coverage ratio. CNP Assurances also continued to transform its technical reserves into savings and to extend the duration of its fixed-income asset portfolios.

Adverse market fluctuations and persistently low interest rates in the context of the health crisis had a significant impact on the coverage ratio (down 40 points, of which 35 points on account of the sharp decline in 10-year interest rates and 5 points on account of the downturn in equity markets).

Since financial risks represent CNP Assurances' largest risk exposure, oversight procedures for this risk were stepped up at the start of the crisis.

For these reasons, CNP Assurances' exposure to the fall in interest rates and persistently low interest rates is considered as **very significant**.

In € millions - Impact at 31 December 2020	MCEV
50 bp increase in interest rates	2,577
50 bp decrease in interest rates	(3,120)

Risk of a fall in the value and dividend yield of its equity portfolio

CNP Assurances invests fairly significant amounts in equities and equity funds as part of its portfolio diversification policy. Equities represent 6% of CNP Assurances' asset portfolio (IFRS carrying amount of €24 billion). Listed equities account for more than 80% of the total, with the balance made up of private equity and infrastructure investments. The IFRS carrying amount of equities in unit-linked portfolios was €1 billion at 31 December 2020.

In 2020, the impacts of the health crisis on equities markets led to the biggest one-day drop in the CAC 40's history (12% on 12 March 2020), and many banking conglomerates chose not to pay any dividends.

News of the start of vaccination campaigns towards the end of 2020 along with central bank stimulus measures pushed the value of the CAC 40 index back to its pre-crisis level. However, the following impacts remained:

- from an accounting perspective, the fall in dividends directly affected the income statement, whereas changes in fair value had no income statement impact;
- from a capital perspective, the recognition of shares at fair value not through the income statement led to a decline in own funds;
- from a solvency coverage ratio perspective, the measurement of economic assets and liabilities at fair value led to an immediate decrease in the coverage rates due to the decrease in fair value.

CNP Assurances is sensitive to two types of risk:

- a risk related to the reduction in dividends, which essentially impacts the income statement for accounting purposes and results in a decrease in revenues;
- a risk related to the decline in the market value of equities, which could have an impact at several levels:
  - a decrease in the Solvency II coverage ratio,
  - a decrease in IFRS own funds,
  - in the event of a significant and prolonged decline in equities markets, they may be an additional income statement impact resulting from the recognition of a liquidity risk reserve and impairment provision.

In 2020, the deterioration in the economic environment led to a decline in revenues from ordinary activities following the postponement or cancellation of stock dividends in an amount of €232 million, including an impact of €50 million on proprietary portfolios.

CNP Assurances also has hedging programmes designed to limit the impact of the downturn in the equities markets on IFRS investment income and on unrealised portfolio capital gains. In 2020, these hedges protected attributable net profit in an amount of €19 million.

A 25% fall in equity prices would result in a 10-point reduction in the consolidated SCR coverage ratio, which stood at 208% at 31 December 2020. In addition, a 25% fall in equity prices would reduce the value of CNP Assurances' in-force business, as measured for MCEV© calculation purposes, by €2.3 billion. Lastly, a 10% fall in equity prices would reduce attributable net profit (IFRS) by €5.1 million.

CNP Assurances has a long-standing hedging programme to protect against equities risk, representing a hedged notional amount of €13.6 billion at 31 December 2020. The equities portfolio hedging strategy was reinforced in 2020, affording greater protection to IFRS investment income and capital gains on the portfolios.

For these reasons, the exposure to the risk of a fall in equity prices is considered as **significant**.

In € millions - Impact at 31 December 2020	MCEV
Equities -25%	(3,265)

Credit risk on corporate bonds

The credit risk on a bond is the risk of partial or total issuer default and, by extension, an increase in the bond portfolio's credit spread. The credit spread is the risk premium, namely the difference between the yield on a bond and that on a risk-free government bond with the same characteristics. Credit spreads vary according to investor perceptions of the credit risk represented by the issuer.

As a long-term investor, CNP Assurances holds in its asset portfolio over €90 billion worth of corporate bonds (based on market value), representing over 47% of the fixed-income portfolio (excluding unit-linked portfolios) at 31 December 2020. Accordingly, it is exposed to the risk of a change in credit spread on these bonds.

This risk depends on the health of the issuer's balance sheet and its credit quality. Out of the total corporate bond portfolio, 71% are rated A or higher and BBB issuers account for 28% (based on market values). Bonds issued by banks account for 41% of the total (based on market value) and the balance of the portfolio is invested in bonds issued by companies operating in a wide range of industries and sectors.

There were no significant rating downgrades in the credit portfolio, as CNP Assurances' exposure to businesses deemed high-risk in the context of Covid-19 remains limited. However, the Company introduced an additional coverage ratio sensitivity test to round out its assessment of credit risk impacts. The new test analysed sensitivity to a full rating downgrade for 20% of the bond portfolio. At 31 December 2020, sensitivity to this input was limited, with the coverage ratio declining 4 points in the event of a full rating downgrade for 20% of the bond portfolio.

This exposure is considered as **significant**.

Credit risks on government bonds and government bond-based instruments

During periods of increased government borrowing, there may be growing concern about the ability of certain sovereign issuers to continue to service their debt, leading to investor distrust of the corresponding bonds and significantly wider spreads. In extreme situations, CNP Assurances may be faced with an actual default or a debt restructuring and have to take a significant haircut on the securities in question.

CNP Assurances holds significant portfolios of French and other European government bonds and is naturally sensitive to any widening of sovereign debt spreads in the main Eurozone countries that are considered to be relatively exposed. A wave of surrenders could oblige CNP Assurances to sell part of the government bond portfolio and if spreads widen, the sales could generate losses which could in turn impact the Group's own-funds.

Spreads widened for a time after lockdowns and other health restrictions were introduced in many countries, affecting household spending and businesses, before governments and central banks began to react. In light of the financial position of many companies and countries, uncertainties remain as to trends in spreads going forward.

A 50-point increase in sovereign spreads would result in an 8-point reduction in the consolidated SCR coverage ratio, which stood at 208% at 31 December 2020.

All told, CNP Assurances' exposure to this risk is considered as **significant**.

Breakdown of the bond portfolio by issuer rating

Credit rating (in € millions)	Bond portfolio at market value	%
AAA	15,576.7	6.0%
AA	121,848.6	47.2%
A	51,565.2	20.0%
BBB	49,281.6	19.1%
< BBB	17,319.3	6.1%
NR	2,686.1	1.6%
TOTAL	**258,277.5**	**100.0%**

Risk of a fall in property values or yields

The value of properties owned directly by CNP Assurances or through a fund is exposed to the risk of changes in rental income and in the investment market itself, as well as to the potential risk that certain buildings will be rendered obsolete by new regulations (on energy use, for example) resulting in losses in the event of sale or additional costs to bring the assets back into compliance.

The rental income from a property portfolio is exposed to market risk (e.g., excess of supply over demand, increased vacancy rates and their impact on rental value) as well as to the risk of tenant default and unfavourable changes in rent adjustment indices.

At 31 December 2020, CNP Assurances' investment property portfolio represented around €15 billion (IFRS net carrying amount).

There was only a small decline in the value of properties held in CNP Assurances' investment property portfolio. Rental payments deferred in 2020 owing to the health crisis were not material to total rents as a whole (3.1% of annual rents).

CNP Assurances also holds €3.4 billion worth of properties held in unit-linked portfolios (IFRS carrying amount). A decline in the value of these assets could trigger a high volume of surrenders for the policies concerned. The underlying properties could prove difficult to sell in an illiquid market, forcing CNP Assurances to draw on its own funds to finance the surrenders.

Lastly, the subsidiary CNP Caution could experience a fall in earnings from its home loan guarantee business in the event that a steep decline in property values limits its ability to recover the guaranteed amount if the borrower goes into default.

All told, CNP Assurances' exposure to this risk is considered as **significant**.

Other information concerning financial risks

Payment projections by maturity

(in € millions)	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 to 15 years	Due beyond 15 years
Insurance and financial liabilities (incl. linked liabilities)	27,589.0	77,962.1	63,499.5	43,446.5	102,169.2

Future cash flows projections – Insurance

Intended holding period (in € millions)	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 to 15 years
Assets at fair value through profit or loss	2,053	4,465	1,775	1,114
Assets at fair value through OCI to be reclassified subsequently to profit or loss	35,796	83,116	60,977	42,975
Assets at amortised cost	66	0	0	63
TOTAL - LIQUIDITY RISK - FUTURE CASH FLOWS	**37,915**	**87,581**	**62,752**	**44,153**

Contracts with immediate surrender option

(in € millions)	31 Dec. 2020
Contracts with immediate surrender option	265,466
Contracts with no immediate surrender option	80,044

Credit risk on reinsured business

Ceded reserves Rating Amount (in € millions and %)		31 Dec. 2020
AAA	-	0.0%
AA+	4	0.0%
AA	-	0.0%
AA-	22	0.1%
A+	11,543	54.8%
A	9,331	44.3%
A-	11	0.1%
BBB+	-	0.0%
BBB	-	0.0%
Unrated	171	0.8%
TOTAL	**21,083**	**100.0%**

Risk factors linked to the insurance business

Surrender or cancellation risk

Traditional savings contracts include an early surrender option for a contractually fixed amount. Surrender rates depend on how the financial markets perform, the yield offered by other competing financial products, policyholders' behaviour and their confidence in the Group, and the tax rules applicable to investments in life insurance products.

For group pensions contracts, surrender risk corresponds to the risk of the policy being transferred by the client to another insurer. The PACTE Law that came into effect in 2019 requires insurers to include a clause in their policies allowing for this.

Average technical reserves for the savings/pensions business alone represent €242 billion in France and CNP Assurances' exposure to surrender risk is therefore significant. Traditional savings products are exposed to surrender risk in the event of a sharp and rapid increase in interest rates.

In term creditor insurance, surrender risk includes the risk of a contract being surrendered due to the early repayment or renegotiation of the underlying loan (which is more likely in a period of falling interest rates) or the loan's cancellation. An unexpectedly high surrender rate would modify the average contract duration and could adversely affect the business's profitability. As France's leading provider of term creditor insurance[(1)], CNP Assurances is significantly exposed to cancellation risk, which could have a material impact on its IFRS earnings.

There was no significant change in surrender trends linked to the pandemic in 2020. The level of surrenders remained stable on the whole during the year.

More generally, surrender risk is linked to policyholder behaviour, which by definition is highly uncertain and partly dependent on external factors. CNP Assurances' exposure to this risk is therefore considered as **significant**.

(1) Position of players based on inflows (gross of reinsurance) in France (source: Argus de l'assurance "Classification of term credit insurance: bancassurers (2019 data)", September 2020).

Morbidity risk

Personal risk contracts comprise various types of primary guarantees covering temporary or permanent disability, long-term care and health risks. These guarantees expose the Company to morbidity risks. The risk arises when insureds' death rates are higher than were expected when the policies were priced. The longer the Group's commitments, the greater the risk; as a result, morbidity risk is greatest for term creditor insurance and long-term care insurance.

CNP Assurances is exposed to risks associated with natural disasters which, in addition to the damage they cause and their immediate impact, may have consequences for the margin realised on certain classes of personal insurance business. The increase in the legal retirement age in France has had an adverse impact on the business's profitability as benefits are payable until the policyholder retires.

In 2020, there was no major change in claims linked to the pandemic, due mainly to the characteristics of CNP Assurances' policyholders, i.e., populations less directly impacted by Covid-19.

With 38 million insureds under personal risk/protection policies in France, Latin America and Europe, CNP Assurances' exposure to morbidity risk is considered as **significant.**

Risk factors linked to the business

Outsourcing risk

CNP Assurances business model makes extensive use of outsourcing as defined in Solvency II. Activities delegated to partners or outsourced to service providers include:

- certain insurance transactions (delegated to our individual insurance partners in France);
- part of the policy and/or claims administration activities of CNP Santander Insurance in particular, and part of the policy administrative activities of the Brazilian subsidiary;
- asset management activities, for a significant proportion of the asset portfolios in France or in Italy (outsourced by CNP UniCredit Vita);
- information systems management, outsourced by CNP Santander Insurance in particular, but also part of the Group's information systems management activities in France;
- certain key functions of the less material subsidiaries (CNP Luxembourg for internal audit only, with other key functions performed internally).

The main outsourcing risks are quality and compliance of the outsourced activities and regulatory compliance (including the ban on price bargaining, dependence issues, loss of internal know-how and conflicts of interest). An internal outsourcing policy is in place to increase employee understanding, monitoring and control of the related risks.

A CNP Assurances Outsourcing department was set up in 2019 to strengthen cross-functional outsourcing processes by updating the contractor map and systematically seek back-up at the level of CNP Assurances. In addition, an outsourcing audit team has been set up within the Internal Audit department, to help strengthen operational controls performed by contractors and controls over compliance risks.

The control environment was updated to reflect these changes in 2020. Currently, outsourced critical and important activities are generally in the areas of policy administration (policy administration, client relationship management and archiving), asset management, and information systems management.

CNP Assurances' exposure to outsourcing risk is considered as **significant.**

Product and client interaction compliance risk

Product compliance risk relates to risks that could prevent the Company from fulfilling its regulatory obligations or complying with internal standards in its relations with policyholders.

Several aspects of the regulatory framework governing the insurance business have been changed. Many new regulations have been introduced to improve client protection, with the Packaged Retail and Insurance-based Investment Products (PRIIPs) regulation that came into effect on 1 January 2018, the Insurance Distribution Directive (IDD) that came into effect in October 2018 and the General Data Protection Regulation (GDPR).

The new regulations expose the Group to compliance risks due to its broad range of businesses, in an environment shaped by the digitalisation of policyholder relationships and the increased focus on unit-linked sales, which are also a source of changing risks.

The life insurance section of the CNP Assurances business model (covering insurer liability) is frequently prepared by the partner networks. The products offered by the Group and the contractual and marketing documents presented to customers must be legally watertight and provide policyholders with clear information about the content and scope of the purchased cover or the insurance proposal.

In response to the health crisis and in line with its efforts to modernise exchanges, CNP Assurances has developed electronic signatures with its partners.

No events were reported in relation to the health and economic crisis in 2020 that could prevent the Company from fulfilling its obligations.

Combatting money laundering and the financing of terrorism is a constant concern for CNP Assurances. The tasks entrusted to intermediaries are set out in the distribution agreements between the Group and its partners. Nearly all transactions go through policyholders' accounts with the partner banks which are responsible for performing background checks on cash flows. The tasks performed by partners on the Group's behalf are described in the distribution agreements between CNP Assurances and its partners.

CNP Assurances was ordered to pay a fine of €8 million in 2016 due to failings in its anti-money laundering systems, and was fined €40 million in 2014 after being found not to have made sufficient effort to trace the beneficiaries of unclaimed life insurance settlements. In light of these penalties, the Group's exposure to compliance risk is considered as **significant**.

Information system, data protection and cyber-security risks

Cyber risk is any risk of financial loss, business interruption or damage to the Company's reputation due to a failure of information systems (IS). CNP Assurances monitors cyber risk continuously, and its coverage is regularly challenged by dedicated experts in order to adapt with agility to a shifting environment.

CNP Assurances' sales and marketing and underwriting operations are all organised around mission-critical information systems. Information system incidents are generally the main cause of operating incidents for CNP Assurances. These incidents mainly affect the policyholder services units. If several applications go down, this can affect service quality, while calculation or processing errors have to be corrected, which can be a problem especially for the management of unit-linked contracts. The relative financial impact of these incidents remains moderate.

CNP Assurances must be capable of adapting to a constantly changing environment and increasingly frequent cyber-attacks.

Information system risks include systems security risks, software malfunction risks and data protection risks (covering the disclosure, alteration or destruction of sensitive data). Instances of system downtime or failure or processing delays could lead to losses and may also damage the Group's image among customers. Granting access to the systems to certain partners and outside contractors exposes the Group to risks of intrusion and malicious acts that could result in the disclosure of sensitive data. CNP Assurances has deployed an information systems security management process and appointed a Chief Systems Security Officer.

For partners and subsidiaries, several initiatives are in place including training and awareness-raising sessions for employees and improved process security aided by head office experts. The cyber-risk management system was recently enhanced, with the adoption of new preventive measures (infrastructure specifically designed to prevent 'denial of service' attacks, roll-out of the self-care mechanism, data anonymity, encryption of audio communications, improved workstation security, stricter access controls for sensitive networks, definition of cyber-policies, management, etc.).

Given the increase in cyber-crime and the widespread roll-out of remote working arrangements since March 2020, intruder risk in CNP Assurances' systems remains a concern. Various critical preventive measures have been put in place at CNP Assurances.

Security weaknesses have been detected in subsidiaries' information systems, particularly in Brazil, but are being rapidly resolved following local audit recommendations issued by the central body and the improved efficiency of local teams.

As a life insurer that holds insureds' medical data, the Group is heavily exposed to the risk of personal data breaches due to the large volume of information on policies and policyholders that is processed automatically or manually. A cross-functional compliance project was carried out within CNP Assurances in preparation for the application of the new General Data Protection Regulation (GDPR).

In all, information system risks are considered as **significant** at the level of CNP Assurances.

Risks related to models

CNP Assurances uses statistical and actuarial methods to calculate its solvency and profitability indicators, its asset-liability management and its technical reserves.

These calculations are inherently uncertain and use data extrapolated from past experience or prospective assumptions that draw upon trends in policyholder behaviour, factors specific to the insurance business or wider economic or regulatory factors.

A model risk can therefore be characterised by errors in design (methods or assumptions not relevant to the specified aim) or in implementation, or inappropriate use of the models.

A system to manage model risk is in place within CNP Assurances, based on a model map and drawing on various principles such as a dedicated risk governance structure and an independent risk review.

CNP Assurances' exposure to model risk is considered as **significant**.

Risk factors linked to strategy

Partnership risk

CNP Assurances enters into various strategic partnerships, directly or through subsidiaries, to strengthen its presence in certain markets. These partnerships represent a means of sharing the business and financial risk with the partners concerned. They may simply be commercial arrangements, such as a distribution agreement, or involve the investment of capital in a joint subsidiary.

Integrating these partnerships or joint subsidiaries into CNP Assurances can sometimes take longer, be more difficult and require bigger teams of employees and managers than originally expected, and this may negatively affect consolidated earnings. The constantly evolving nature of the business means that there is no guarantee that the financial performance of acquirees or partners will be aligned with the business plans on which the original investment decision was based. Underperformance may result in impairment losses being recognised on goodwill or other intangible assets that will negatively affect CNP Assurances' financial position.

It may be necessary to rethink a partnership in the event of changes to the project itself, the local political and economic situation, the partner's own financial situation, or because of a disagreement between partners.

As the bancassurance business model relies on maintaining and renewing partnership agreements, the risk that those agreements will not be renewed could affect the Company's profitability and financial position.

In 2020, over three-quarters of premium income was generated through CNP Assurances' five main distribution partners (La Banque Postale for 23.4%, BPCE for 17.5%, Caixa Seguridade for 20.7%, Banco UniCredit for 12.2% and Banco Santander for 2.8%).

Two strategic international agreements were signed during the year, strengthening CNP Assurances' footprint in Brazil and its multi-partner approach:

- exclusive distribution agreements with CNP Assurances' long-standing partner in Brazil, Caixa Econômica Federal (CEF), securing CNP Assurances' presence and business on this market for the next 25 years. This agreement provides for the exclusive distribution of personal risk insurance, term credit insurance, consumer loan insurance and retirement products;

- a non-exclusive 10-year distribution agreement between its Brazilian subsidiary Caixa Seguradora and Correios, the Brazilian national mail operator, relating to capitalisation and dental insurance products.

In France, the BPCE group and CNP Assurances signed agreements on 19 December 2019 extending the 2015 distribution partnerships between BPCE/Natixis and CNP Assurances that were originally due to expire on 31 December 2022. Under the new agreements, which came into effect on 1 January 2020, the distribution partnerships will now continue until 31 December 2030, thereby consolidating CNP Assurances' multi-partner model.

CNP Assurances' business model depends to a considerable extent on the continuation of its existing partnerships and its ability to establish new ones. Its exposure to partnership risk is therefore considered as **very significant**.

Country risk

CNP Assurances has operations in many countries, in Europe and Latin America. The sustainability and development of its businesses depends in part on these countries' economic health and political stability.

More specifically, the financial viability of certain businesses may depend on local regulations and government commitments in our host countries, especially in cases where it is called on to advance funds on behalf of the State. Regulatory changes (for example, the statutory increases in life annuities introduced in 2017) or a government decision to renege on its commitments may lead to litigation, with a significant adverse effect on CNP Assurances' earnings if the courts rule against it.

CNP Assurances is thereby bound by local regulations and subject to audits carried out by the competent local authorities. In Brazil, for example, any dividends received by CNP Assurances must be approved by the Brazilian Central Bank and any brokerage activities carried out by *Wiz Soluções e Corretagem de Seguros* (a CNP Assurances subsidiary in which Caixa Seguradora Holding holds a minority 25% stake), listed on BOVESPA (Brazil's São Paulo stock market), are supervised by the Brazilian Securities Commission (CVM), the equivalent of the AMF in France.

CNP Assurances has large subsidiaries in Brazil and Italy (accounting for 21% and 12% of consolidated premium income in 2020, respectively), two countries hard hit by the health crisis during the year.

However, in Latin America, net insurance revenue held firm in 2020, with the effects of the first-half contraction in business linked to the lockdown cancelled by second-half performance. Loss ratios were kept under control and the impact on profit was limited. This strong upturn in business was also apparent for its Italian subsidiary. In Europe excluding France, revenue was reduced by €17 million, due mainly to the slight 0.6% fall in premium income.

In light of this, CNP Assurances' exposure to country risk is considered as **significant**.

Risks related to new regulations

The introduction of new regulations in Europe or CNP Assurances' other host countries could prove both complex and costly for the Group. Many different departments may be concerned by the change, information systems may have to be adapted and significant costs may have to be incurred for staff training to ensure compliance with the new regulatory framework. Over the past few years, for example, the Group has had to implement major projects to comply with the new General Data Protection Regulation (GDPR), the Insurance Distribution Directive (IDD) and the PACTE law in France.

In addition, new regulations may be adopted that affect CNP Assurances' business model. New accounting standards IFRS 17, which is due to come into effect in 2023, and IFRS 9, could change the presentation of the business indicators published each quarter and impact CNP Assurances' investment strategy. Similarly, the Solvency II review (particularly EIOPA's proposals on the yield curve and interest rate module) could lead to a significant reduction in the solvency margin for CNP Assurances, whose risk profile is heavily weighted towards financial risks. Lastly, the proposed capping of life insurance commission rates in Germany, expected to apply as from 2022, could have a material impact on CNP Santander Insurance's business in this country.

All told, CNP Assurances' exposure to this risk is considered as **significant**.

4.7.1.2.2 Insurance Division

La Banque Postale's Insurance Division risks are grouped into eight risk families in line with the risk classification of the Solvency II regulations and the conglomerate risk map:

- strategy and business risks;
- intragroup risks;
- credit and counterparty risks;
- market risks;
- liquidity risks;
- operational risks;
- insurance technical risks;
- other risks.

Market risk

Assets at cost, excluding unit-linked portfolios (IFRS, in € millions)	31 Dec. 2019	31 Dec. 2020
Bonds and other fixed-income securities	2,034	2,217
Equities and other variable-income securities	93	74
Investment property and property funds	0	0
Property-related loans and receivables	0	0
Derivative instruments	0	0
Other loans and receivables	0	0
TOTAL	**2,127**	**2,292**

The insurance subsidiaries are exposed to the following market risks:

- interest rate risk;
- equities risk;
- credit spread risk;
- property risk;
- exchange rate risk;
- volatility risk;
- unlisted securities valuation risk;
- concentration risk on underlyings;
- illiquidity risk.

Interest rate risk

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

Equities risk

Equities risk is the risk of loss resulting from unfavourable changes in market inputs such as share price, share volatility, etc.

Property risk

Property risk is the risk of a change in the value of property investments not used in operations (e.g., investments in innovation funds). Through direct investments in equities and equities investment funds, equities-type portfolios are sensitive to fluctuations in equities markets and to the risk of a loss of value caused by a fall in prices of property and infrastructure assets.

Credit spread risk

Credit spread risk is the risk of loss resulting from unfavourable changes in credit-related market inputs such as credit spread, spread volatility, etc.

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 the risk of:

- loss (in the income statement) resulting from unfavourable changes in exchange rates that affect the mark-to-market value of foreign currency assets and liabilities;
- loss resulting from unfavourable changes in exchange rates that affect operating profit (operational exchange rate risk);
- loss resulting from unfavourable changes in exchange rates that affect the economic value of equity (structural exchange rate risk).

Concentration risk on underlyings

This is the risk of loss resulting from unfavourable changes in market inputs associated with a combination of exposures concentrated in a single market segment (security, issuer, risk factor, etc.).

Liquidity risk

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

Payment projections by maturity – Insurance Division

(in € millions)	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 to 15 years	Due beyond 15 years
Insurance and financial liabilities (incl. linked liabilities)	154	456	303	279	654

Future cash flow projections – Insurance Division

Intended holding period *(in € millions)*	Due within 1 year	Due in 1 to 5 years	Due in 5 to 10 years	Due in 10 to 15 years
Available-for-sale financial assets	480	717	957	314
Assets held for trading and measured at fair value through other comprehensive income	58	26	38	23
Held-to-maturity investments	10	0	0	0
Loans and receivables	0	0	0	0

Contracts with an immediate surrender option – Insurance Division

(in € millions)	31 Dec. 2020
Contracts with immediate surrender option	830
Contracts with no immediate surrender option	1,155

Counterparty risk

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

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

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

Credit risk on reinsured business

Rating	Total (in € millions)	%
AAA	-	0.0%
AA+	-	0.0%
AA	-	0.0%
AA-	142	39.6%
A+	27	7.4%
A	184	51.2%
A-	-	0.0%
BBB	-	0.0%
Unrated	7	1.9%
TOTAL	**360**	**100.0%**

Credit risks on government bonds and government bond-based instruments

Rating (in € millions)	Bond portfolio at fair value	%
AAA	30	2.5%
AA	1,024	84.6%
A	120	9.9%
BBB	37	3.1%
<BBB	0	0.0%
TOTAL	**1,211**	**100.0%**

Analysis of the asset portfolio of the Insurance Division at 31 December 2020

Assets at cost, excluding unit-linked portfolios (IFRS, *in € millions*)	31 Dec. 2019	31 Dec. 2020	Year-on-year change
Bonds and other fixed-income securities	2,034	2,217	+183
Equities and other variable-income securities	93	74	-18
UCITS	249	237	-12
Investment property and property funds	0	0	-
Property-related loans and receivables	0	0	-
Derivative instruments	0	0	-
Other loans and receivables	0	0	-
TOTAL	**2,376**	**2,529**	**+153**

Analysis of the bond portfolio of the Insurance Division at 31 December 2020 by rating:

Rating	Bond portfolio at market value *(in € millions)*	%
AAA	91	3.7%
AA	1,213	49.3%
A	720	29.3%
BBB	436	17.7%
<BBB	2	0.1%
TOTAL	**2,462**	**100.0%**

Insurance technical risks

Due to their activities in Property & Casualty insurance and in Health & Personal Risk insurance, the insurance subsidiaries of La Banque Postale are exposed to underwriting risk and to catastrophe risk, associated with changes to the features of portfolios of insured parties.

Underwriting risk is the risk which the insurer takes in writing insurance contracts for individuals or legal entities.

Underwriting risk encompasses the risks described below.

- **life catastrophe risk** is the risk of loss or of an unfavourable change in the value of insurance commitments attributable to the occurrence of extreme, uncertain and one-off events causing serious harm to the individuals and/or property insured, and which result from a natural phenomenon, human action or a combination of the two.
- **termination (surrender) risk** is the risk of loss or of an unfavourable change in the value of insurance commitments resulting from changes in the surrender behaviour of insured parties (termination, renewal, surrender). This risk may also result from permanent changes in surrender rates, widespread and one-off surrenders, and inaccurate estimates of surrender rates. Two types of surrender can be modelled: structural surrenders (which depend on the average characteristics of the buyers in the portfolio) and economic surrenders (which depend on the economic environment).
- **mortality risk** is the risk of loss or of an unfavourable change in the value of insurance commitments resulting from an increase in mortality rates. This risk can be attributable to several factors within the Group:
  - a trend factor, i.e., a rise in general mortality;
  - a level factor, i.e., deviation in a portfolio's mortality relative to general mortality;
  - a volatility factor, i.e., volatility of data used to measure a portfolio's mortality rate.
- **longevity risk** is the risk of a long-term loss resulting from the financial risk on insurance commitments, caused by individuals living significantly longer than expected on average.
- **morbidity risk** is the risk of loss or of an unfavourable change in the value of insurance commitments, resulting from fluctuations affecting the level, trend and/or volatility of disability, sickness and morbidity rates.
- **revision risk** is the risk of loss or of an unfavourable change in the value of insurance commitments resulting from fluctuations affecting the level, trend and/or volatility of revision rates applicable to annuities, owing to a change in the legal environment or in the health of the insured party.
- **pricing and reserve risk** is 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 amount of claim settlements.
- **termination (surrender) risk** is the risk of unreliable projections by the underwriter or insurer as to the exercise of policy termination or renewal options.
- **catastrophe risk** is the risk of loss or of an unfavourable change in the value of insurance commitments attributable to the occurrence of extreme, uncertain and one-off events causing serious harm to the individuals and/or property insured, which result from a natural phenomenon, human action or a combination of the two.
- **expense risk** is the risk of loss or of an unfavourable change in the value of insurance commitments resulting from the volatility of expenses incurred in managing insurance and reinsurance contracts.

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

Operational and 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 are also described in Section 4.6.3, "Scope of application" of this Universal Registration Document.

Non-compliance risks are described in Section 4.8.2, "Non-compliance risks" of this Universal Registration Document.

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.

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

Each individual entity is required to comply with the regulations applicable to the sector in which it operates (Capital Requirements Regulation and Internal Control government order for credit institutions, and government orders related to Solvency II for the insurance sector), along with regulations on additional supervision.

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

As a conglomerate, La Banque Postale has set up an appropriate insurance risk governance structure within its wider risk management system, allowing it to manage the business of its insurance subsidiaries and non-controlling insurance interests.

Insurance risks are monitored by:

- the Group Risk Management Committee, which regularly reviews issues relating to insurance risks arising in the insurance business;
- the Insurance Risk Committee, which monitors risks for La Banque Postale Group's Insurance Division subsidiaries, along with the Group Risk Management Committee;
- the Conglomerate Committee, which monitors risks 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 (risk, compliance, audit and permanent control) of each entity.

The Committee met six times in 2020 and the principal themes discussed concerned the progress of the project to integrate CNP Assurances within the Group Risk Department and the Compliance Department.

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

Governance, risk management and internal control at CNP Assurances are described in more detail in CNP Assurances' 2020 Universal Registration Document.

4.7.2.2 Additional supervision obligations applicable to La Banque Postale Group

La Banque Postale Group, and particularly its insurance subsidiaries, are subject to additional supervision in the following areas:

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

4.7.2.2.1 Capital adequacy of the conglomerate

The update to the Group's internal standard on financial conglomerates concerned the additional oversight provision applicable to La Banque Postale as a financial conglomerate. It was approved by the Risk Management Rules Validation Committee in May 2020 and applies from the same year. In light of the increase in La Banque Postale Group's stake in CNP Assurances and the new risk profile of the financial conglomerate, an accounting consolidation method is now used to calculate the conglomerate's capital adequacy ratio, as opposed to the "deduction and aggregation" method previously used.

At 31 December 2020, the capital of the financial conglomerate meets the solvency requirements for banking and insurance activities. The conglomerate ratio is 168%.

(in € millions)	31 Dec. 2020	30 Jun. 2020	31 Dec. 2019
Total capital of the financial conglomerate	33,664	29,785	13,479
Regulatory requirement for regulated entities	20,077	19,508	9,234
Capital surplus or shortfall	13,587	10,276	4,244

4.7.2.2.2 Monitoring of concentration risk

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

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

4.7.2.2.3 Monitoring of 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 the La Banque Postale Group's interests.

Legal risk is managed across La Banque Postale Group through a Legal Department at the level of the Group. As from 2020, the scope of La Banque Postale Group and of its Legal Department also includes CNP Assurances, following the Group's 4 March 2020 acquisition of a controlling interest in CNP Assurances. Given that the subsidiaries' legal officers report to the Head of La Banque Postale Group's Legal Department, the Legal Department provides consolidated reporting and management of major legal risks that could impact the subsidiaries.

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

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.

Several major rulings affecting legal risk were handed down in 2020:

- 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;
- on 28 October 2020, the Directorate-General for Competition Policy, Consumer Affairs and Fraud Control (DFCCRF) found against La Banque Postale for having breached applicable regulations regarding payment terms for invoices issued by La Banque Postale suppliers (business-to-business payment terms) in 2018. The penalty consists of a fine totalling €990,000 and public disclosure on the DGCCRF's website;
- on 17 November 2020, the DGCCRF found against La Banque Postale for having breached Regulation no. 2015/751 on interchange fees. The penalty consists of a fine totalling €1,168,162 and public disclosure on the websites of the DGCCRF and La Banque Postale;
- in late November 2020, Brazil's federal police disclosed details of accusations made in connection with a criminal investigation. The investigation concerns alleged misappropriations of funds at WIZ, a company that is 25%-owned by Caixa Seguros Holding, which may also have been a victim of fraud. The investigation is still in progress. In mid-December, Caixa Seguros Holding's Board of Directors set up a Special Investigation Committee that is independent from the Company's management to conduct its own investigation in the Caixa Seguros Holding companies. The committee is being assisted by a law firm that has set up a multidisciplinary forensic team. At this stage in the investigations, it has been established that the allegations concern facts and amounts that are not material at the level of Caixa Seguros Holding and even less so at that of CNP Assurances and La Banque Postale Group, and no items have been identified that could call into question the reliability of the financial statements of CNP Assurances' Brazilian subsidiaries;
- on 24 February 2021, the *Commission d'Examen des Rapports de Contrôle* (Control Report Review Commission) sent a statement of grievances to La Banque Postale's Monaco branch regarding a report dated 12 July 2019 drawn up by the *Service d'Information sur les Circuits Financiers* (SICCFIN).

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. Legal risks pertaining to La Banque Postale's subsidiary CNP Assurances are presented in CNP Assurances' 2020 Universal Registration Document.

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

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

On 19 October 2020, the National and International Audit Office (*Direction des Vérifications Nationales et Internationales* – DVNI) notified La Banque Postale that it would be performing a tax audit for 2018 and 2019, and a VAT audit for the period 1 January to 30 April 2020.

4.8.2 Non-compliance risk

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 effective managers given in accordance with the guidelines of the supervisory body."*

The definition and implementation of the non-compliance risk management system is the responsibility of the Group Compliance Department, which is in charge of providing compliance advice regarding ethical issues. These include the anti-corruption, financial security, fraud prevention, customer protection and investment services compliance. The Group Compliance Department also manages KYC and regulatory training programmes.

The non-compliance risk management system is governed by the ACPR for banking and insurance activities, by the AMF for investment services activities, and by the AFA for the fight against corruption.

The non-compliance risk management system is also based on the principle of accountability of businesses for the identification, measurement, hedging and monitoring of their non-compliance risks.

Compliance also contributes to mitigating conduct risk, which was added to the Risk Management Policy in 2017, and is defined as the current or potential risk of losses resulting from the inappropriate provision of financial services, including cases of improper conduct, whether voluntary or out of negligence.

A monitoring system based on qualitative 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.

As mentioned above, this risk is considered as an integral part of the operational risk family and therefore is managed as such.

4.8.2.1 Overview of the Group Compliance Department

The Group Compliance Department is responsible for:

- identifying and assessing non-compliance and reputation risks, and implementing the appropriate risk management system (procedures, checks, training, etc.);
- drafting a formal set of compliance procedures at Group level, rolled out to each business and subsidiary where appropriate (code of ethics, Anti-corruption Code, Compliance section of the Internal Rules, Policies and Procedures);
- coordinating the whistleblowing system;
- expressing opinions and giving advice on compliance issues;
- training employees and raising their awareness of compliance issues;
- performing compliance checks;
- ensuring that compliance procedures and projects take account of the latest regulatory developments.

Given the structure of La Banque Postale Group and its wide range of businesses (banking, insurance, investment services, asset management), the Group Compliance Department has chosen to organise itself as a Compliance Function. This organisation was approved by the Executive Board on 4 December 2019 and put in place throughout 2020.

The Compliance Function is based on:

- central Compliance teams at the level of La Banque Postale Group;
- the roll-out of business-specific support through La Poste Network, with the creation of a Compliance Department for banking activities carried out by the Network and by the Group's subsidiaries; and
- a unified upward reporting structure (which includes local Compliance Officers).

The Group Chief Compliance Officer is in charge of the Compliance Function and reports to La Banque Postale's General Secretary, who is a member of the Executive Board.

The new Compliance Function resulted in the creation of (i) Business Line Compliance Officers and Subsidiary Compliance Officers, reporting directly to La Banque Postale's Chief Compliance Officer, and (ii) a La Poste Network Banking Services Department, which will support the management of La Banque Postale SA's business lines, subsidiaries, and the La Poste Network in their day-to-day management of non-compliance risk, by providing a pragmatic and timely response to any operating compliance issues arising within their remit:

- the La Poste Network Banking Services Department and the Operations Department comprise:
  - Network Compliance Officers throughout the La Poste Network, who implement the procedures rolled down by the Business Line Compliance Officers. They also approve the operating procedures (operating methods, scores, etc.) drafted by the Network employees to ensure compliance with the procedures set down by Compliance teams;
  - Operations Department Compliance Officers, who roll down procedures and ensure they are operational, advise and train Operations Department teams, issue opinions on compliance issues and take part in executive governance bodies;
  - a Remote Banking Compliance Officer, who supports remote banking services in all areas, provides opinions, advice and training, and participates in governance bodies;
- the Business Line Compliance Officers who report to La Banque Postale's Chief Compliance Officer, are each responsible for a given area of La Banque Postale SA's operations (e.g., retail customers, legal entities, payment media). They roll down the procedures and ensure they are operational, advise and train business line teams, issue formal opinions on compliance issues and participate in governance bodies for their respective business lines. They also help to identify and assess non-compliance risks, define plans of controls along with action plans where the control findings are unsatisfactory. A dedicated team of Investment Services Compliance Officers is responsible for compliance issues arising in the investment services business;

- the Subsidiary Compliance Officers, who report directly to La Banque Postale's Chief Compliance Officer, and are supported by a team where appropriate, roll down the procedures and adapt them to the subsidiary's business, advise and train employees, issue formal opinions on compliance issues and participate in the subsidiary's governance bodies. Depending on how the subsidiary is organised, they may also be in charge of compliance controls;
- at CNP Assurances, Compliance Officers report to the Group Chief Compliance Officer and a designated employee of La Banque Postale with pertinent expertise manages the relationship between CNP Assurances and La Banque Postale in terms of compliance[1].

The Group Compliance Department employed 214 people at 31 December 2020. Organisational changes resulting from the creation of the new Compliance Function draw on expert teams in each field.

4.8.2.2 Ethics and anti-corruption measures

Anti-corruption measures

Corruption risk is classified as an operational risk and has been the subject of a specific risk map since the entry into force of the "Sapin II" law in France in 2017. Based on the corruption risk scenarios defined by the Group Compliance Department and the Operational Risk Department, the head office departments and subsidiaries formally document the risks relating to their activities and the associated systems for managing those risks. All risks validated by each entity are documented in an annual countrywide risk map, which is reviewed by the Group Compliance Department. Where appropriate, countrywide action plans are put in place.

The main risks identified are the subject of ongoing in-depth analyses.

The Anti-Corruption Committee verifies that the anti-corruption risk management system complies with the "Sapin II" law. It ensures that any action plans, resulting in particular from recommendations made by Internal Audit teams, are properly implemented and duly monitored. The Committee meets four times a year:

- anti-corruption officers in La Banque Postale's business lines and departments are convened to two Committee meetings each year;
- designated anti-corruption officers in the Group's subsidiaries are convened to two Committee meetings each year.

The Committee's work is reviewed every six months by the Internal Control Coordination and Ethics Committee (ICCEC), which is chaired by a member of the Executive Board. In the second half of 2020, the ICCEC was replaced by twice-monthly sessions of the Executive Board focused exclusively on internal control matters.

Ethics

The Ethical Conduct Code, together with the Anti-Corruption code of conduct, compiles and details all pertinent ethics and anti-corruption principles and rules, and is applicable to all La Banque Postale employees and to all employees of La Poste acting in the Group's name and on its behalf. La Banque Postale's subsidiaries base their own set of Compliance procedures on these Codes.

Ethics risks are mapped by the management of the businesses lines and by the subsidiaries in a similar manner to corruption risks, based on the four areas identified by the Group Compliance Department. All risks validated by each entity are documented in La Banque Postale's risk map. Where appropriate, countrywide action plans are put in place.

The Ethics Committee, comprising the La Poste Network, the Financial Services and La Banque Postale's departments, provides the governance structure for ethics matters. This Committee, which met three times in 2020, reviews topical ethics-related issues and the miscellaneous ongoing projects in this area. The Ethics Committee is sometimes extended to include La Banque Postale's subsidiaries, Insurance Division and Asset management business.

Preventing and managing conflicts of interest

The system for preventing and managing conflicts of interest, set out in the code of conduct, is designed to identify situations that could give rise to a conflict of interests with regard to customers, employers and/or third parties. Conflict-of-interest prevention rules are set out for those who act in the name of and on behalf of La Banque Postale.

When the conflict of interests concerns one or more customers, and the measures taken cannot guarantee that the risk of harming the customer's interest will be avoided, La Banque Postale clearly informs the customer(s) concerned of the general nature and source of these conflicts of interest.

Potential or known conflicts of interest concerning employees are reported to the Head of Ethics, who keeps a record of such conflicts and who will then advise on the procedure to be followed, together with the Group Chief Compliance Officer. Conflicts of interest that could have a negative impact on La Banque Postale's image or reputation are reviewed together with the Executive Board. The employee concerned is required to strictly comply with the decision taken in this regard.

A new conflict-of-interest prevention and management policy was approved at the end of 2020, and will be rolled out as from January 2021.

The procedure for monitoring "parties concerned" within the meaning of the Regulation is adapted to the scope of La Banque Postale's investment services. So-called "information barrier" procedures have been put in place with the aim of preventing the undue circulation of inside information.

The segregation of duties is reviewed for each new project or reorganisation, and checks and controls are performed, including for information system accreditations.

Ethics alerts, withdrawal of accreditations and whistleblowing system

The system for managing ethics risks is based on two major processes:

1. malpractice and ethical misconduct alerts: the system for circulating and monitoring alerts must provide La Banque Postale with (i) information on any malpractice or ethical misconduct by the Bank's employees, or parties acting in its name and on its behalf, and (ii) details of how the alerts are followed up by management and the consistency of the measures taken in this regard;
2. withdrawals of accreditations to work in the name of and on behalf of La Banque Postale: depending on the severity of the misconduct, the Head of Ethics is responsible for setting in motion the process for applying for the withdrawal of an accreditation to work in the name of and on behalf of La Banque Postale. An analysis is systematically carried out before any such action is taken;

(1) See the CNP Assurances Universal Registration Document for more details.

3. whistleblowing system: besides the above measures, La Banque Postale has always had a system allowing any party to ask questions or flag situations of which he or she is personally aware. All employees are aware that they may flag up any issues to their line manager or the person in charge of ethics within their respective entity. Employees can also leave a message on a secure site, which will be handled directly and confidentially by the Head of Ethics. This procedure was reviewed as part of the anti-corruption and whistleblower protection measures provided for by the "Sapin II" law. An outsourced whistleblowing system is available for all La Banque Postale and all employees of La Poste working on behalf of and in the name of the Bank, but also for any outside or temporary personnel as well as, within the scope of the "Potier" law on the duty of care, for employees of suppliers and subcontractors.

The criteria used to determine the whistleblowing system was based on the follow-up of reports and alerts, the confidentiality of data and information reported, and whistleblower protection.

4.8.2.3 Financial security

The Financial Security Department defines the Group's procedure for combating money laundering and the financing of terrorism (AML/TF), and for implementing asset freezing obligations. It is split into four sub-departments: Data Science, Risks and Procedures, AML/TF and Financial Sanctions.

Data Science

The Data Science team is in charge of the AML/TF tools and for integrating new regulatory requirements into AML/TF procedures.

In 2020, to improve its management of money laundering and terrorism financing risks, the Data Science team carried out two major projects:

- the first project involved an upgrade of the "Fircosoft" software used to screen customers and transactions. This version upgrade increases the efficiency of the tool as well as the relevance of the alerts generated;
- the second project involved the deployment of "Compliance 2.0" in December 2020. This software was developed internally and is designed to automatically detect potential money laundering and terrorism financing risks in customer transactions. It will be rolled out throughout 2021.

Risks and Procedures

The Risks and Procedures team is notably responsible for classifying and mapping AML/TF risks, and for drafting Group AML/TF policies and procedures. It also validates the implementation of those procedures in each business line and subsidiary.

In 2020, a new risk mapping method based on a Wolfsberg-type risk assessment was rolled out in La Banque Postale's departments and subsidiaries, with the aim of providing a more fine-tuned assessment of residual money laundering and terrorism financing risks. The Group's KYC policies and procedures have been reviewed, and the project to roll out a formal set of Group procedures within the business lines and subsidiaries is at a very advanced stage.

AML/TF Department

The AML/TF team brings together employees in charge of analysing AML/TF-sensitive transactions, drafting and reporting suspicious transactions to Tracfin, responding to the rights of communication and calls for vigilance, assisting businesses in rolling out their AML/TF procedures, and monitoring developments in scenarios and tools used as inputs in the management of AML/TF risk. In 2020, the number of suspicious transactions reported to Tracfin increased, the number of outstanding alerts to be processed was cut to the monthly level of outstanding alerts, and the processing time for reports of suspicious transactions was reduced.

Financial Sanctions

The Financial Sanctions team coordinates the operational implementation of obligations relating to financial sanctions and to the identification of "politically exposed persons" (PEP).

At 31 December 2020, the total number of outstanding alerts, in terms of both financial sanctions and PEP, were cleared.

4.8.2.4 Fraud prevention

The Anti-Fraud Department manages and coordinates the operating system for combating internal and external fraud and acts as a functional authority for local Fraud Prevention and Management teams.

In 2020, besides day-to-day management of fraud risk, this Department overhauled its anti-fraud procedure regarding "legal entity" customers, with the creation of a National Anti-Fraud unit.

4.8.2.5 Customer protection

The Banking Services Compliance Department defines La Banque Postale Group's standards in terms of customer protection for both its banking and insurance activities.

It also coordinates the process for approving new products through Product Review Committees, and validates the marketing documentation before publication. It is also in charge of the procedure for customer complaints linked to inappropriate implementation of applicable regulations.

Product Review Committee

In accordance with Article 35 of the government order of 3 November 2014, along with MiFID II, the Insurance Distribution directive and the EBA's guidelines on product oversight and governance arrangements for Retail Banking products, the Product Review Committee's opinion is sought for new products or significantly changed products (which may or may not be banking products).

The Committee reviews:

- new products, i.e., contracts launched on the market for the first time, which did not previously exist or did not exist in their current form. This may concern two existing contracts that have been merged into a single contract, or a wholly new contract;
- significantly changed products, where the change concerns:
  - one or more essential or key characteristics of a product already marketed, notably following customer complaints, outsourced management, new regulations or changes in case law,

- the product's distribution model,
- the target customers.

Review of marketing documentation

As part of managing its reputation risk, La Banque Postale closely monitors the quality of its communications with its customers. The Customer Protection Department reviews all marketing, advertising and contractual documentation. As well as verifying compliance with applicable laws and regulations, the Department also ensures that the messages conveyed in advertising media are consistent with La Banque Postale's values.

The Compliance and Customer Protection Department also support the different business lines with projects that impact customer protection, and with their operational implementation of the texts and recommendations issued by the supervisory authorities.

Processing of customer complaints

Analysing complaints is also an important aspect of the non-compliance and reputation risk management system. The Banking Services Compliance Department processes all customer complaints forwarded by the ACPR and works closely with the Operations Department, which coordinates customer claims management for La Banque Postale.

Each year, this Department also carries out in-depth analyses together with management of the business lines, in order to improve and resolve any issues that may have caused customer complaints.

This approach complies with the ACPR's recommendation on processing complaints.

The Compliance and Claims Control group, which is managed by the Compliance Department, specifically follows up on claims forwarded by the ACPR, La Banque Postale mediator and the AMF. This group, which meets every quarter and brings together all operational business line management teams, analyses issues relating to each complaint, determines whether or not there is a non-compliance risk, and devises a plan to remedy the situation where appropriate. This group then monitors implementation of the action plans, or may ask for a risk file to be compiled or completed within the customer protection risk map.

4.8.2.6 Investment services compliance

The Investment Services Compliance Department is made up of the Investment Services Compliance Officers. These Compliance Officers ensure that La Banque Postale complies with the regulatory requirements set out in the French Monetary and Financial Code, the AMF General Regulation and associated regulations (MiFID II, MAR/MAD, etc.). Their main role is to:

- define internal rules and draft the associated compliance procedure;
- organise training/awareness-raising sessions covering laws and regulations applicable to investment services;
- verify that La Banque Postale complies with laws and regulations applicable to investment services, through its reports to the internal governance body and the AMF;
- advise and assist the business lines with their current and future activities.

Unlike other departments, due to its roles and responsibilities, the Investment Services Compliance Department has a dedicated team which performs second-tier controls.

In 2020, the Investment Services Compliance Department updated its market abuse risk prevention procedure in line with the revised market abuse regulation.

4.8.2.7 Training

As compliance regulations grow ever stricter, La Banque Postale has increased its training on regulatory matters.

At the end of 2019, La Banque Postale launched a Regulatory Training Programme led by a Process Owner from the Group Compliance Department, bringing together players from its *"École de la Banque et du Réseau"* banking school, its Human Resources Department and its business lines. 2020 saw the tangible results of these efforts, which will continue in the first half of 2021:

- regulatory training sessions will be updated, including sessions leading to accreditations;
- a Group Policy will be drafted and serve as a basis for regulatory training sessions;
- a dashboard will be introduced for the Executive Board and the General Management Committee (slated for the first quarter of 2021).

Besides formal monitoring of regulatory training, in its general training courses for employees of its Banking Advice Line, La Banque Postale makes sure that trainees acquire a good understanding of the essential compliance procedures (e.g., KYC, priority given to customer interests, formalising customer relationships and traceability of advice), as well as of commercial matters.

4.8.2.8 Regulatory Oversight

Through its Regulatory Oversight and AML/TF and Banking Regulation Departments, the Legal Department is responsible for monitoring developments in compliance regulations.

Regulatory oversight is organised into four stages:

- identifying relevant regulations;
- monitoring the drafting of those regulations and summarising/analysing the texts finally adopted;
- circulating these analyses, highlighting their practical impacts to the extent of information in the Regulatory Oversight Department's possession;
- helping to monitor the effective implementation of the regulations within La Banque Postale Group, which falls under the responsibility of the Risk Department.

Each representative analyses and interprets the operational impacts of new regulations for existing procedures. In light of the broad range of La Banque Postale Group's activities, the approach is based on twice-monthly Business Line Regulatory Oversight Committees, i.e.:

- a Retail Banking Regulatory Oversight Committee (five meetings held in 2020);
- an Asset Management and Financial Markets Regulatory Oversight Committee (five meetings held in 2020);

- an Accounting, Prudential and Governance Regulatory Oversight Committee (six meetings held in 2020);
- an Insurance Regulatory Oversight Committee (five meetings held in 2020);
- a Digital Regulatory Oversight Committee, created in 2020 (four meetings held in 2020).

4.8.3 Environmental risks

These risks are identified and described in chapter 6 of this Universal Registration Document.

4.9 REMUNERATION POLICY

Items related to the remuneration policy are set out in Chapter 2 of this Universal Registration Document, in Section 2.2 “Remuneration”.

4.10 PILLAR III CROSS-REFERENCE TABLE

CRR Article	Subject	Chapter 4 – Risk Factors	Page	Or 2020 Universal Registration Document page
90 (CRD IV)	Return on assets			Chapter 3, page 78
435	Risk management objectives and policies	Governance and risk management system	Pages 130 et seq.	
436	Scope of application	Scope of application	Pages 111 et seq.	
437	Own funds	Composition of prudential equity capital	Pages 116 et seq.	
438	Capital requirements	Regulatory framework for capital requirements	Pages 125 et seq.	
439	Exposure to counterparty credit risk	Exposure to credit risk	Pages 142 et seq.	
440	Capital buffers	Regulatory framework for capital requirements	Pages 125 et seq.	
441	Indicators of global systemic importance	Indicators of global systemic importance	Page 129	
442	Credit risk adjustments	Breakdown of exposures in default	Pages 147 et seq.	
443	Unencumbered assets	Encumbered/unencumbered assets	Pages 174 et seq.	
444	Use of external ratings agencies	Use of external credit rating agencies	Page 161	
445	Exposure to market risk	Market risk	Pages 175 et seq.	
446	Operational risk	Operational risks	Pages 182 et seq.	
447	Exposures in equities not included in the trading book	Exposures in equities not included in the trading book	Page 181	
448	Exposures to interest rate risk on positions not included in the trading book	Banking portfolio interest rate risk	Pages 166 et seq.	
449	Exposures to securitisation positions	Securitisation	Pages 163 et seq.	
450	Remuneration policy			Chapter 2, pages 59 et seq.
451	Leverage	Leverage ratio	Pages 126 et seq.	
452	Use of the IRB approach for credit risk	N/A	N/A	
453	Use of credit risk mitigation techniques	Credit risk mitigation techniques	Pages 159 et seq.	
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 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, along with the Group Risk Department, the Compliance Department, and the Legal Department. 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 update to the Universal Registration Document.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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5.1 CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Income Statement

(in € millions)	Notes	2020	2019
Interest income	6.1	4,425	4,258
Interest expense	6.1	(1,839)	(1,920)
Fee and commission income	6.2	2,257	2,655
Fee and commission expense	6.2	(3,035)	(316)
Net gain or loss on financial instruments at fair value through profit or loss	6.3	4,962	110
Net gain or loss on financial instruments at fair value through other comprehensive income	6.4	(157)	126
Net gain or loss on derecognised financial assets at amortised cost	6.5	297	322
Income from other activities	6.6	23,744	1,344
Expenses from other activities	6.6	(22,251)	(910)
Impact of the overlay approach (gross impact)	7.3	(679)	(21)
NET BANKING INCOME		**7,724**	**5,647**
General operating expenses	6.7	(5,224)	(4,441)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(487)	(251)
GROSS OPERATING PROFIT		**2,013**	**955**
Cost of risk	6.8	(674)	(178)
OPERATING PROFIT		**1,339**	**777**
Share of profits of equity-accounted companies	5.10	690	282
Net gain or loss on other assets	6.9	(1,500)	0
Changes in the value of goodwill	6.10	4,578	-
PRE-TAX PROFIT		**5,107**	**1,059**
Income tax	6.11	(419)	(273)
NET PROFIT		**4,688**	**786**
Non-controlling interests		533	5
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**4,155**	**780**

Consolidated Balance Sheet

(in € millions)	Notes	31 Dec. 2020	31 Dec. 2019
Cash, central banks	5.1	1,783	22,412
Financial assets at fair value through profit or loss	5.2	195,772	10,905
Hedging derivatives	5.3	1,443	1,488
Financial assets at fair value through other comprehensive income	5.4	230,779	15,059
Securities at amortised cost	5.5	24,018	28,068
Loans and advances to credit institutions at amortised cost	5.6	114,484	70,635
Loans and advances to customers at amortised cost	5.7	125,255	113,628
Revaluation differences on portfolios hedged against interest rate risks		220	207
Current tax assets	5.8	867	364
Deferred tax assets	5.8	449	223
Accruals and other assets	5.9	31,907	3,314
Investments in equity-accounted companies	5.10	696	3,592
Investment properties	5.11	3,083	-
Property, plant and equipment	5.12	879	792
Intangible assets	5.12	5,385	836
Goodwill	5.13	156	160
TOTAL ASSETS		**737,176**	**271,683**
Financial liabilities at fair value through profit or loss	5.2	3,421	1,587
Hedging derivatives	5.3	763	591
Liabilities due to credit institutions	5.14	33,533	30,715
Customer deposits	5.15	230,393	191,016
Debt securities	5.16	21,639	23,739
Revaluation differences on portfolios hedged against interest rate risks		726	839
Current tax liabilities	5.8	99	13
Deferred tax liabilities	5.8	1,494	142
Accruals and other liabilities	5.17	21,622	5,272
Insurance company technical provisions and shadow accounting reserves	5.18	379,830	2,552
Provisions	5.19	1,025	337
Subordinated debt	5.20	10,187	3,097
EQUITY	**5.21**	**32,444**	**11,783**
Non-controlling interests		**12,854**	**76**
Equity attributable to owners of the parent		**19,590**	**11,707**
Share capital		6,585	4,632
Reserves and retained earnings		8,404	5,483
Gains and losses recognised directly in equity		445	812
Profit attributable to owners of the parent		4,155	780
TOTAL LIABILITIES AND EQUITY		**737,176**	**271,683**

Consolidated Statement of Net Profit and Gains and Losses Recognised Directly in Equity

(in € millions)	2020	2019
NET PROFIT	**4,688**	**786**
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS		
Translation adjustments	(849)	0
Remeasurement of financial assets at fair value through other comprehensive income	1,109	237
Revaluation difference for the year	***905***	***394***
Reclassified to profit or loss	***204***	***(157)***
Remeasurement of derivatives that hedge items that may be reclassified to profit or loss	(37)	(12)
Revaluation difference for the year	***(88)***	***22***
Reclassified to profit or loss	***50***	***(34)***
Impact of the overlay approach	679	21
Share of gains and losses of equity-accounted companies recognised directly in equity that may be reclassified to profit or loss*	(657)	168
Deferred taxes	(478)	(74)
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS		
Actuarial gains and losses on defined-benefit obligations	(145)	3
Remeasurement of own credit risk on financial liabilities designated as at fair value through profit or loss	(8)	(5)
Remeasurement of equity instruments at fair value through other comprehensive income (excluding instruments sold during the year)	(46)	17
Share of gains and losses of equity-accounted companies recognised directly in equity that will not be reclassified to profit or loss*	(23)	(6)
Deferred taxes	44	0
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	**(413)**	**349**
NET PROFIT AND GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY NET OF TAXES	**4,275**	**1,135**
Of which net profit and gains and losses recognised directly in equity attributable to owners of the parent	**3,788**	**1,126**
Of which net profit and gains and losses recognised directly in equity attributable to non-controlling interests	**487**	**9**

* Amounts presented net of deferred taxes.

Consolidated Statement of Changes in Equity

(in € millions)	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[2]	Changes in fair value of financial instruments				
IFRS equity at 31 December 2018	**4,046**	**17**	**2,003**	**2,286**	**-**	**(35)**	**(109)**	**615**	**726**	**9,549**	**119**	**9,668**
Appropriation of 2018 net profit	-	-	125	601	-	-	-	-	(726)	0	0	0
Dividends	-	-	(327)	0	-	-	-	-	-	(327)	(11)	(337)
Issuance of shares	585	215	-	-	-	-	-	-	-	800	-	800
Issues/ Redemptions of subordinated notes (equity instruments)	-	-	-	-	744	-	-	-	-	744	-	744
Remuneration of subordinated notes (equity instruments)	-	-	-	(29)	-	-	-	-	-	(29)	-	(29)
Sub-total – transactions with owners	**585**	**215**	**(202)**	**572**	**744**	**-**	**-**	**-**	**(726)**	**1,188**	**(11)**	**1,178**
Changes in gains and losses recognised directly in equity	-	-	-	-	-	-	-	181	-	181	4	184
2019 net profit	-	-	-	-	-	-	-	-	780	780	5	786
Sub-total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**181**	**780**	**961**	**9**	**970**
Effect of acquisitions and disposals on non-controlling interests	-	-	-	0	-	-	-	0	-	0	0	0
Share in the changes in equity of equity-accounted companies	-	-	-	8	-	(6)	(9)	177	-	170	-	170
Other movements	-	-	0	(160)	0	2	-	(4)	-	(162)	(41)	(203)
IFRS equity at 31 December 2019	**4,632**	**231**	**1,801**	**2,706**	**744**	**(39)**	**(117)**	**968**	**780**	**11,707**	**76**	**11,783**
Appropriation of 2019 net profit	-	-	289	492	-	-	-	-	(780)	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	(552)	(552)
Issuance of shares	1,954	15	-	2,059	-	-	-	-	-	4,027	1,725	5,752
Issues/ Redemptions of subordinated notes (equity instruments)	-	-	-	-	-	-	-	-	-	-	-	-
Remuneration of subordinated notes (equity instruments)	-	-	-	(68)	-	-	-	-	-	(68)	(23)	(90)
Sub-total – transactions with owners	**1,954**	**15**	**289**	**2,483**	**-**	**-**	**-**	**-**	**(780)**	**3,959**	**1,150**	**5,110**

(in € millions)	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: Actuarial gains and losses	Gains and losses net of taxes recognised directly in equity: Translation reserves[2]	Gains and losses net of taxes recognised directly in equity: Changes in fair value of financial instruments	Attributable net profit	Attributable equity	Non-controlling interests	Total consolidated equity
Changes in gains and losses recognised directly in equity	-	-	-	-	-	(7)	(367)	672	-	298	(97)	201
2020 net profit	-	-	-	-	-	-	-	-	4,155	4,155	533	4,688
Sub-total	**-**	**-**	**-**	**-**	**-**	**(7)**	**(367)**	**672**	**4,155**	**4,453**	**436**	**4,889**
Share in the changes in equity of equity-accounted companies	-	-	-	(18)	-	21	117	(780)	-	(660)	2	(658)
Effect of acquisitions and disposals on non-controlling interests	-	-	-	78	0	(1)	11	(1)	-	88	160	247
Effect of acquisition of control of CNP Assurances[3]	-	-	-	(3)	-	(84)	-	87	-	0	10,997	10,997
Other movements[4]	-	-	(110)	188	0	0	0	(35)	0	44	33	76
IFRS equity at 31 December 2020	**6,585**	**246**	**1,980**	**5,434**	**744**	**(110)**	**(357)**	**912**	**4,155**	**19,590**	**12,854**	**32,444**

(1) At 31 December 2020, La Banque Postale's capital consisted of 80,309,149 shares with a par value of €82.
(2) The translation reserve concerns foreign subsidiaries of the CNP Assurances and AEW SA groups.
(3) The effects at 31 December 2020 of consolidating CNP Assurances are presented in Note 3 "Business combinations".
(4) Other movements mainly concern NCI puts with a €49 million positive impact on attributable equity at 31 December 2020 and a €7 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 € millions)	2020	2019
Pre-tax profit	**5,107**	**1,059**
+/- Net depreciation and amortisation of property, plant and equipment and intangible assets	789	264
- Changes in goodwill and impairment of other non-current assets	(4,463)	0
+/- Net changes in provisions and impairment charges	842	(7)
+/- Net changes in insurance technical provisions	1,105	-
- Share of profits of equity-accounted companies	(690)	(282)
+/- Net losses/gains on investing activities	1,616	0
+/- Other movements	6,798	(288)
= Total of non-cash items included in pre-tax profit and other adjustments	**5,997**	**(313)**
+/- Net cash from/used in transactions with credit institutions	2,440	13,593
+/- Net cash from/used in customer transactions	20,734	(17,708)
+/- Net cash from/used in other transactions impacting financial assets or liabilities	(9,864)	8,578
+/- Net cash from/used in other transactions impacting non-financial assets or liabilities	(416)	357
- Taxes paid	(746)	(248)
Net increase (decrease) in assets and liabilities from operating activities	**12,148**	**4,572**
NET CASH FROM/USED IN OPERATING ACTIVITIES (A)	**23,252**	**5,317**
+/- Net cash from/used in sales and purchases of financial assets and equity investments	1,234	(248)
+/- Net cash from/used in sales and purchases of investment property	(82)	-
+/- Net cash from/used in sales and purchases of property, plant and equipment and intangible assets	(1,462)	(293)
NET CASH FROM/USED IN INVESTING ACTIVITIES (B)	**(311)**	**(542)**
+/- Net cash from/used in transactions with owners	(651)	378
+/- Other cash flows from/used in financing activities	259	(41)
NET CASH FROM/USED IN FINANCING ACTIVITIES (C)	**(392)**	**337**
Effect of changes in exchange rates on cash and cash equivalents (D)	**103**	**-**
Net increase (decrease) in cash and cash equivalents (A+B+C+D)	**22,652**	**5,112**
Opening cash and cash equivalents	**21,606**	**16,494**
Cash, central banks (assets and liabilities)	22,412	2,007
Accounts (assets and liabilities) with credit institutions and interbank overnight loans and borrowings	(807)	14,487
Closing cash and cash equivalents	**44,258**	**21,606**
Cash, central banks (assets and liabilities)	1,783	22,412
Accounts (assets and liabilities) with credit institutions and interbank overnight loans and borrowings	42,475	(807)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,652**	**5,112**

5.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 LEGAL AND FINANCIAL FRAMEWORK

1.1 Significant events of the period

1.1.1 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 held 62.13% of the capital of CNP Assurances. The transactions and their effects on the consolidated financial statements at 31 December 2020 are presented in Note 3 "Business combinations".

1.1.2 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 4.1 "Covid-19 impacts".

1.1.3 Buyout of minority interests in La Banque Postale Assurances IAR

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 was 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.

1.1.4 Three subordinated notes issues

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.

On 26 October 2020, La Banque Postale raised €500 million through a subordinated notes issue. The 10.25-year notes are callable in year 5.25 and pay interest at a fixed rate of 0.875% (reset for the remaining five years in the event that the notes are not called in year 5.25).

On 8 December 2020, CNP Assurances announced that it had successfully placed €500 million worth of notes due 8 March 2028 and paying interest at 0.375%.

These issues qualify as debt based on IFRS criteria.

1.1.5 Merger of the primarily insurance-related fixed income management activities of La Banque Postale and Natixis subsidiaries

On 31 October 2020, La Banque Postale and Natixis finalised the agreement announced in December 2019 to merge their primarily insurance-related fixed income management activities. The merger created one of Europe's leading asset managers, with more than €430 billion in assets under management and over €590 billion in assets administered on its service platform as of end-September 2020.

The merged business is housed within a joint entity, Ostrum Asset Management, that is 45%-owned by La Banque Postale and 55% by Natixis with a balanced governance structure. Ostrum Asset Management is accounted for by La Banque Postale using the equity method. La Banque Postale's stake in Ostrum Asset Management was paid up by contributing assets and liabilities of La Banque Postale Asset Management. The impact on 2020 profit attributable to owners of the parent was €63.2 million.

1.1.6 Partnership in Brazil between CNP Assurances and Caixa Seguridade

On 30 December 2020, CNP Assurances and Caixa Seguridade, a subsidiary of Caixa Econômica Federal (CEF), signed an exclusive agreement for the distribution, through to 2046, of personal risk insurance, consumer loan insurance and retirement products in Brazil.

As specified in the agreement, a new insurance joint venture has been set up to distribute these products. CNP Assurances owns 51% of the voting rights and 40% of the economic rights, versus 49% of the voting rights and 60% of the economic rights for Caixa Seguridade.

As agreed between the parties, on 30 December 2020 Caixa Seguros Holding (CSH) transferred to the new joint venture the in-force insurance portfolios for the products included in the scope of the agreement.

The agreement's main provisions are as follows:

- the Group has an exclusive right to distribute personal risk insurance, consumer loan insurance and retirement products through the CEF network in Brazil until 13 February 2046;
- in exchange for this right, on 30 December 2020, the Group paid an upfront fee of R$7 billion (€1.1 billion);
- the agreement also includes incentives to outperform the first five years' volume and margin objectives, in the form of additional payments capped at R$0.8 billion (Group share, at the level of CNP Assurances) based on 31 December 2020 values.

The transaction was closed on 30 December 2020.

The agreement's impacts on the Group's consolidated financial statements at 31 December 2020 are as follows:

- recognition of an intangible asset of €3 billion, to be amortised on a straight-line basis over the life of the agreement;
- recognition of non-controlling interests in liabilities for €1.8 billion;
- full consolidation of the new joint venture;
- no provision for contingent consideration recorded at 31 December 2020.

1.1.7 Signing of a partnership agreement in Brazil between CNP Assurances and Caixa Seguridade in the *consórcio* segment

CNP Assurances has concluded a framework agreement which will result in the signing of an exclusive 20-year distribution agreement with Caixa Seguridade to use the Caixa Econômica Federal banking network in Brazil to distribute term creditor insurance for *consórcio* loans, in particular for home and car purchases. This new agreement is in addition to the one signed in August 2018 (and amended in September 2019) on personal risk, consumer loan insurance and retirement products (*vida*, *prestamista*, *previdência*).

The new distribution agreement will be operated through a specially formed company that will have shared management and governance between CNP Assurances and Caixa Seguridade. The former will hold 50.01% of the common shares with voting rights, the latter 49.99% of the common shares with voting rights and 100% of the preferred shares without voting rights, which will represent economic rights of 25% and 75% for each party respectively.

The agreement stipulates that CNP Assurances is to pay a fixed sum of R$250 million on completion of the deal.

Completion of the deal still depends on various conditions being met first, including obtaining the necessary approvals from the relevant regulatory authorities for banking and competition. Subject to these approvals being obtained, it is expected the deal will be finalised no later than 30 March 2021.

1.2 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.

La Banque Postale Group also applies regulation 2016-09 of 2 December 2016 of the French accounting standards authority (*Autorité des normes comptables* – ANC), which transposes into French law some of the provisions of European Directive 2013/34 relating to the transactions to be disclosed in the notes to the consolidated financial statements in accordance with IFRS.

The consolidated financial statements are presented in millions of euros.

Presentation of the financial statements

In the absence of a model imposed by the IFRS framework, the Group uses the financial statement templates proposed in ANC recommendation 2017-02 of 2 June 2017. La Banque Postale has chosen to present disclosures that are specific to the insurance business in the notes to the consolidated financial statements, in line with the option proposed in the recommendation.

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 standards, interpretations and amendments applicable in the European Union from 1 January 2020 have been adopted by the Group:

Standard, Interpretation or Amendment	Date adopted by the EU
Amendments to References to the Conceptual Framework in IFRS	29 November 2019
Amendments to IAS 1 and IAS 8 – Definition of Material	29 November 2019
Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, phase 1*	15 January 2020
Amendment to IFRS 3 – Definition of a Business	22 April 2020
Amendment to IFRS 16 – Covid-19-Related Rent Concessions	9 October 2020

* Early adopted at 31 December 2019.

The amendment to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (adopted by the European Union in January 2020 and referred to below as the "IBOR amendment of September 2019") 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 31 December 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 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.

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. As of 31 December 2020, based on the results of the review, 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 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, the amendment 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.

2.3 Standards and amendments not yet applied

The IASB and IFRS IC have issued standards, interpretations and amendments that were not applicable at 31 December 2020. Standards, interpretations or amendments published by the IASB but not yet adopted by the European Union will be applicable only once they have been adopted.

Standard, Interpretation or Amendment	Date adopted by the EU	Effective date[1]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Reform of Benchmark Interest Rates, phase 2	13 January 2021	1 January 2021
Amendment to IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9	15 December 2020	1 January 2021
Amendment to IAS 1 – Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Not adopted	1 January 2022
Amendment to IAS 37 – Onerous Contracts: Cost of Fulfilling a Contract	Not adopted	1 January 2022
Amendment to IFRS 3 – Reference to the Conceptual Framework	Not adopted	1 January 2022
IFRS annual improvements 2018-2020 cycle: IFRS 1 – Subsidiary as a First-time Adopter IFRS 9 – Derecognition of a Financial Liability: Fees Included in the "10 Per Cent" Test IFRS 16 – Lease Incentives	Not adopted	1 January 2022
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not adopted	Deferred
Amendment to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	Not adopted	1 January 2022
IFRS 17 – Insurance Contracts	Not adopted	1 January 2023

(1) Subject to adoption by the European Union. Applicable in accounting periods beginning on or after the date indicated
(2) A further one-year deferral was granted, for application from 1 January 2023 instead of 1 January 2021 as initially planned.

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, March 2020 and June 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.

A scoping study was carried out in 2019 to identify the main issues involved in applying the standard (cost, changes to the accounts closing process and to the insurance subsidiaries' information systems). The insurance business makes a significant contribution to La Banque Postale's consolidated financial statements, especially since control of CNP Assurances was acquired in March 2020. For this reason, an initial IFRS 17 impact study was carried out during the last quarter of 2020 to:

- determine the status of the insurance subsidiaries' IFRS 17 projects (CNP Assurances and legacy insurance subsidiaries);
- identify the main issues involved in applying the new standard at La Banque Postale level;
- structure the Group's IFRS 17 programme.

Once the scoping phase was complete, a detailed IFRS 17 roadmap for 2021 and 2022 was drawn up, including the related governance requirements, with a view to preparing the first set of accounts under the new standard in 2023.

2.4 Use of estimates and judgements

The preparation of financial statements requires the use of assumptions and estimates which, by definition, are uncertain. These estimates and assumptions, which are based on the information available at the reporting date, involve the exercise of judgement by managers and preparers, particularly estimates of the fair value of financial instruments, impairments and expected credit losses.

Many factors such as fluctuations in interest and foreign exchange rates, the economic environment and changes in regulations or legislation, may affect the reported amounts of assets, liabilities, income and expenses, which may be different from these estimates, and have an impact on the financial statements.

The main measurement processes that require the use of assumptions and estimates are as follows:

- fair value measurement of financial instruments not listed on organised markets, which involves the use of models based on observable market data for most over-the-counter instruments or, for certain complex instruments that are not traded on an active market, the use of techniques that in some cases are based on inputs considered as non-observable;
- fair value measurement of private equity investments;
- fair value measurement of financial assets and liabilities measured using the cost model and for which fair value information is provided in the notes to the financial statements;

- credit risk estimates: IFRS 9 requires the use of probability of default and loss given default estimates, and more generally, informed judgement (see Note 4);
- estimates of future employee benefit costs, which are based on assumptions concerning the discount rate, employee turnover rate and future salary levels;
- determination of provisions other than for credit risks; by definition, this process involves the use of estimates because the provisions concern liabilities of uncertain timing or amount for which an outflow of funds in favour of a third party is probable or certain, without any benefit of at least equivalent value expected in return. In particular, estimates of PEL/CEL provisions involve the use of assumptions concerning future customer behaviours based on observed past behaviour that is not necessarily an accurate guide to the future;
- measurement of goodwill recognised on business combinations;
- goodwill impairment tests, which involve the use of a certain number of assumptions;
- measurement of hedge effectiveness, which involves the use of assumptions concerning changes in the hedged risks and estimates of their impact on the hedging relationship;
- measurement of put options granted to non-controlling interests (NCI puts);
- determination of insurance company technical provisions and the deferred participation provision;
- measurement of the value of acquired in-force business, contractual customer relationships and distribution agreements.

Lastly, since the month of March 2020, 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

2.5.1 Determining the scope of consolidation

The consolidated financial statements include the financial statements of La Banque Postale, the consolidated financial statements of the sub-groups and the financial statements of material subsidiaries and associates controlled by the Group or over which the Group exercised significant influence at 31 December 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.

2.5.2 Consolidation methods

When assessing the nature of the control exercised by the Group, consideration is given not only to current voting rights but also to the existence and effect of potential substantive voting rights, such as potential voting rights that could be exercisable when decisions about the direction of the relevant activities need to be made at the next General Meeting.

Consolidation methods are applied according to the nature of the control exercised by La Banque Postale over the entities concerned.

Control

Structured entities and subsidiaries controlled by the Group are consolidated using the full-consolidation method.

A structured entity is an entity created specifically to manage a transaction or group of similar transactions and is designed to ensure that voting and potential substantive voting rights are not the decisive factors in determining whether the entity is controlled. A structured entity is consolidated when it is controlled in substance by the Group, even if they have no capital ties.

Control is analysed in the same way as for a subsidiary, in accordance with IFRS 10.

The control exercised over a subsidiary or a structured entity is assessed based on the following three criteria:

- the power to direct the relevant activities of the subsidiary, for example through voting rights or other rights;
- exposure or rights to variable returns generated by the subsidiary; and
- the ability to affect these returns.

Non-controlling interests are presented on a separate line in both the consolidated income statement and in equity in the consolidated balance sheet. They include any cumulative preference shares and deeply-subordinated notes issued by subsidiaries and classified as equity instruments, that are held by non-Group investors.

Joint arrangements

Partnerships in which the Group exercises joint control with other partners are accounted for using the equity method in the case of a joint venture, or based on the Group's interest in the case of a joint operation.

The Group exercises joint control when decisions about the partnership's relevant activities contractually require the unanimous consent of the parties sharing control.

A joint venture is a partnership in which each partner has rights to the partnership's net assets.

A joint operation is a partnership in which the partners have rights to the assets and obligations for the liabilities of the partnership. A joint operation is consolidated based on the share of assets, liabilities, income and expenses controlled by the Group.

Significant influence

Companies over which the Group exercices significant influence are accounted for using the equity method.

Significant influence is defined as the power to participate in the financial and operating policies of an entity but is not control or joint control of those policies. Existence of significant influence is usually evidenced by representation on the board of directors or equivalent governing body of the entity, participation in policy-making processes, material transactions between the Group and the entity, interchange of managerial personnel or provision of essential technical information. Significant influence is presumed to be exercised if the Group holds 20% or more of the voting rights, either directly or indirectly.

Changes in equity of equity-accounted companies are recognised under “Investments in equity-accounted companies” in assets and in the appropriate equity account in liabilities. Goodwill recognised for equity-accounted companies is also recorded in “Investments in equity-accounted companies”.

2.5.3 Consolidation rules

Restatements and eliminations

The financial statements of consolidated subsidiaries are restated and the necessary reclassifications are made to comply with Group accounting policies.

Intra-group receivables and payables and income and expenses arising from intra-group transactions which have a material impact on the consolidated financial statements are eliminated in consolidation.

Translation of the financial statements of foreign subsidiaries

The balance sheets of entities whose functional currency is not the euro are translated into euros at the period-end exchange rate and their income statements are translated at the average exchange rate for the period.

Income and expenses in the income statement are converted at the average exchange rate for the period.

Translation differences arising from changes in the exchange rates applied to the subsidiaries’ capital, reserves and net income are recorded in "Unrealised or deferred gains and losses – Translation adjustments".

When the Group prepared its first consolidated financial statements according to IFRS, cumulative translation differences at the transition date were transferred to consolidated reserves in accordance with the exemption granted to first-time adopters in IFRS 1. This exemption only applied to the foreign subsidiaries of the CNP Assurances group, which adopted IFRS for the first time in 2005. In the event that these entities are subsequently sold, the disposal gain or loss will exclude translation differences that arose before the date of transition to IFRS and include translation differences generated from 1 January 2006.

Business combinations

Business combinations carried out prior to 1 January 2010 were accounted for using the acquisition method in accordance with the initial version of IFRS 3.

Business combinations carried out since 1 January 2010 are accounted for using the acquisition method in accordance with the revised version of IFRS 3. IFRS 3 (revised) has been applied prospectively, without restating business combinations carried out prior to 1 January 2010.

The consideration transferred in a business combination is defined as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer in exchange for control over the acquired company. Any contingent consideration is included in the consideration transferred at its estimated acquisition-date fair value and is remeasured at fair value through profit or loss at each reporting date.

The identifiable assets, liabilities and contingent liabilities of the acquiree are recognised at their acquisition-date fair value. Contingent liabilities assumed in a business combination are recognised only if they are present obligations that arise from past events and their fair value can be measured reliably.

Non-controlling interests may be measured at the acquisition date either at fair value or at their proportional share of the fair value of the identifiable assets and liabilities of the acquiree. The choice between these two methods is made for each business combination.

Acquisition-related costs are accounted for as expenses in the period in which they are incurred.

The positive difference between (i) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree, and (ii) the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed is recorded as an asset in the consolidated balance sheet under "Goodwill". Any negative difference (gain on a bargain purchase) is recognised in profit or loss on the acquisition date.

As goodwill is not taxable, it is not included in the calculation of deferred taxes.

The analyses required for the initial measurement of these items and any potential adjustments may be carried out within 12 months of the acquisition date.

Goodwill is carried in the balance sheet at historical cost in the reference currency of the acquiree, and is translated into euros at the official exchange rate at the reporting date.

Goodwill is reviewed regularly by the Group, and is tested for impairment at least once a year, or more frequently if there is an indication that it may be impaired.

If the recoverable amount of the cash-generating unit represented by the acquiree, defined as the higher of the unit’s fair value or value in use, is lower than its carrying amount, an impairment loss is recognised in the income statement. Impairment losses recognised on goodwill are not reversible.

Goodwill recognised on acquisition of associates is included in the carrying amount of the investment recorded under “Investments in equity-accounted companies”.

When non-controlling interests are acquired in a controlled subsidiary, goodwill corresponding to the difference between the consideration transferred for the additional equity interest and the Group's additional share of the subsidiary’s net assets is charged against equity if positive, and credited to equity if negative. Likewise, a transaction resulting in a decrease in the Group’s percentage interest in an entity over which it retains exclusive control is recognised in equity.

When control of an entity is acquired, the previously held equity interest is remeasured at fair value through profit or loss.

Put options granted to non-controlling interests in fully-consolidated subsidiaries ("NCI puts")

Non-controlling interests include instruments representing current ownership interests that entitle their holder to a share of a subsidiary's net assets in the event of liquidation, and other equity instruments issued by the subsidiary that are not held by the Group.

In line with the current versions of IFRS 10 – Consolidated Financial Statements and IAS 32 – Financial Instruments: Presentation, put options granted to non-controlling interests are recognised as a liability at the present value of the redemption price and as a reduction in equity attributable to non-controlling interests. The Group has chosen to record the difference between the redemption liability and the reduction in non-controlling interests as an adjustment to equity attributable to owners of the parent.

The same treatment is applied to subsequent changes in the carrying amount of the liability.

The share of the subsidiary's profit attributable to holders of NCI puts is reported under "Non-controlling interests" in the consolidated income statement.

Consolidation of the insurance businesses

The financial assets and liabilities of fully-consolidated insurance subsidiaries are measured and recognised in accordance with IFRS 9 and presented using the overlay approach (see Note 7.3 "Impact of applying the overlay approach to La Banque Postale Group's insurance businesses").

The overlay approach addresses the temporary accounting consequences of the difference in application dates of IFRS 9 and the new insurance contracts standard replacing IFRS 4 (IFRS 17). It eliminates from profit or loss some of the additional accounting mismatches and temporary volatility that may occur due to the application of IFRS 9 before IFRS 17.

The overlay approach consists of reclassifying fair value adjustments to designated financial assets from the income statement to other comprehensive income, so that the amount reported in the income statement is the same as if IAS 39 had been applied to the designated financial assets.

Pending application of IFRS 17 – Insurance Contracts, IFRS 4 has been applied to the following contracts:

- contracts that expose the policyholder to a risk. This category includes death & disability policies, pension contracts, property damage policies and unit-linked savings policies with a capital guarantee;
- investment contracts with a discretionary participation feature (DPF). This category covers traditional savings contracts with DPF and unit-linked contracts that include a traditional savings component with DPF.

In accordance with IFRS 4, technical provisions for contracts in both categories continue to be measured based on local GAAP.

The investment contracts accounted for in accordance with IFRS 9 are contracts without DPF, i.e. unit-linked savings contracts without a traditional savings component and without a capital guarantee.

Pursuant to the shadow accounting principles set out in IFRS 4, a deferred participation provision is recorded for insurance policies with DPF. This provision is determined in a way that reflects the potential rights of policyholders to a share of unrealised gains or their potential participation in unrealised losses on financial instruments measured at fair value.

At each reporting date, the Group's fully-consolidated insurance subsidiaries perform liability adequacy tests to check that recognised insurance liabilities, net of deferred acquisition costs and related intangible assets, are adequate. These tests are performed using current estimates of future cash flows arising from insurance liabilities and investment contracts with DPF.

Technical and mathematical provisions

Technical provisions reflect the insurer's obligations towards policyholders.

- Mathematical provisions for traditional savings contracts correspond to the difference between the present value of the insurer's obligation and that of the policyholder.

  Life insurance provisions are determined using discount rates not exceeding a conservative estimate of the future yield on the underlying assets.

  The insurer's obligations are discounted at a rate not exceeding the rate used to price the policy concerned, and take into account statutory mortality tables or experience-based tables if these are more conservative. The discount rate applied to annuity obligations takes into account the consequences of a fall in interest rates when the rate used to price the policy is considered too high relative to expected reinvestment rates.

  Mathematical provisions for unit-linked contracts are determined on the basis of the underlying assets. Gains or losses resulting from the remeasurement of the assets at fair value are recognised in profit or loss to offset the impact of changes in the mathematical provision.
- Claims equalisation provisions are set aside to cover the exceptional cost of natural disaster, atomic, environmental liability, space, air transport and terrorism claims.
- Outstanding claims provisions are determined based on the estimated cost of settling the claims, net of subrogation and salvage.

Deferred participation

Most investment contracts sold to policyholders by the Group's life insurance subsidiaries include a discretionary participation feature.

The DPF clause entitles the policyholder to a share of investment income over and above the guaranteed yield. Pursuant to the shadow accounting principles set out in IFRS 4, the deferred participation provision recorded for these contracts is adjusted to reflect the potential rights of policyholders to a share of unrealised gains or their potential participation in unrealised losses on financial instruments measured at fair value. The share of gains attributed to the policyholder is determined based on the specific terms of the investment contract with DPF.

The net deferred participation resulting from the application of shadow accounting principles is recognised either in liabilities (deferred participation provision) or assets (deferred participation asset) as appropriate.

Deferred participation assets are tested for impairment. The purpose of this test is to demonstrate, based on the going concern assumption, that the deferred participation asset will be recoverable against the policyholder's share of future investment income or capital gains, and that the liabilities recognised by the Group are adequate relative to the economic liability. The recoverability test is performed using current estimates of future contractual cash flows. The subsidiaries' asset/liability management models are used to assign a value to liabilities under a wide range of economic scenarios based on a stochastic approach.

In accordance with the recommendation of the French National Accounting Board (CNC) of 19 December 2008 on the recognition of deferred participation assets, recoverability of the asset is confirmed by a conservative assessment of the Group's ability to continue holding the underlying assets supported by projections of future cash inflows.

Likewise, the ability to generate adequate future gains to absorb unrealised losses is tested, based on a worst-case surrender scenario that has never yet been experienced.

2.5.4 Foreign currency transactions

IAS 21 defines monetary assets and liabilities as assets and liabilities to be received or paid in a fixed or determinable number of units of currency, for example a loan or vanilla bond. Based on this definition, an equity instrument is a non-monetary asset.

At the period end, monetary assets and liabilities denominated in foreign currencies and measured at amortised cost or at fair value through other comprehensive income reclassifiable to profit or loss are converted into euros, the Group's functional currency, at the exchange rate on the reporting date. When the asset is sold, the accumulated foreign exchange gains and losses are reclassified to profit or loss.

Assets and liabilities denominated in foreign currencies and measured at fair value through profit or loss are converted at the exchange rate on the reporting date. Exchange differences related to these assets are recorded in the income statement together with the other changes in the assets' value.

Non-monetary items denominated in foreign currencies measured at fair value through other comprehensive income not reclassified to profit or loss are converted at the exchange rate on the reporting date. Foreign exchange gains or losses relating to these assets are also recorded in other comprehensive income not reclassified to profit or loss. When the asset is sold, the accumulated foreign exchange gains and losses are not reclassified to profit or loss.

Argentina has been qualified as a hyperinflationary economy since 1 July 2018.

As a result, IAS 29 – Financial Reporting in Hyperinflationary Economies requires the financial statements of entities whose functional currency is the Argentine peso to be restated.

2.5.5 Segment information

In accordance with IFRS 8, the Group's reportable operating segments are the segments whose results are regularly reviewed by La Banque Postale's Executive Committee, which is the chief operating decision maker as defined by IFRS 8.

The Group is organised in three separate divisions:

- the Retail Banking division, which includes banking and credit activities, as well as the non-trading property companies (SCIs) that own the Group's offices and the Group holding company;
- the Asset Management division, comprising the fund management companies and the wealth management business;
- the Insurance division, comprising the property and casualty business and the life business (individual and group life, death & disability and health insurance).

  This division is segmented geographically based on a multi-criteria organisation aligned with the division's strategic priorities (geography, business lines, networks) and the allocation of goodwill to mainly geographical cash-generating units.

  The three geographic segments are:

  - France;
  - Latin America;
  - Europe excluding France.

The segment information in the notes to the financial statements is shown without reallocating equity or return on equity. Segment results are determined by allocating internal and external income and expenditure to each sector. The tax shown is the actual tax expense for each sector. Any goodwill impairment charges are included in the results of the segment to which the entity belongs. Assets and liabilities are presented net of inter-segment transactions.

2.6 Presentation and measurement rules

2.6.1 Financial assets and liabilities

2.6.1.1 General principles for the recognition of financial assets and liabilities

Initial recognition

At initial recognition, financial assets and liabilities are measured at fair value plus or minus transaction costs directly attributable to their acquisition (with the exception of financial assets and liabilities recognised at fair value through profit or loss, for which transaction costs are recognised as an expense on initial recognition).

In practice, fair value generally corresponds to the instrument's sale price or trading price.

Date of initial recognition

Securities are initially recognised at their fair value on the settlement/delivery date and derivatives are initially recognised at their fair value on the trade date. Changes in fair value between the trade date and the settlement/delivery date are recorded in profit or loss.

Loans and receivables are initially recognised at their fair value on the disbursement date.

Distinction between debt instruments and equity instruments

Debt instruments are contractual obligations of the issuer to repay the lender in accordance with a specified maturity and under the contractual terms.

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities, with no contractual obligation to deliver cash or another financial asset.

2.6.1.2 Recognition of financial assets

According to IFRS 9, financial assets are classified based on the business model for managing the asset and the characteristics of the asset's contractual cash flows (basic lending arrangement criterion).

Business models

A business model corresponds to the way a group of financial assets is managed together to generate income. It describes the way in which the assets are managed. The Group identifies business models based on objective and observable facts such as the business' organisation, IT system, internal reports, risk-monitoring process, or past management decisions (past disposals, for example).

There are three types of business model:

i. "hold to collect" model: business model objective achieved by holding financial assets in order to collect contractual cash flows;

ii. "hold to collect and sell" model: business model objective achieved by collecting contractual cash flows and selling the financial assets;

iii. a model specific to other financial assets, notably those held for trading.

Identification of the business model is documented within each of the Group's business lines.

In the very rare cases where a business model is changed, this must be decided by the management of the business line with the agreement of Senior Management in response to internal or external developments that are significant in relation to the business and observable by external parties. In practice, a change of business model may be decided only in response to the discontinuation or launch of a material line of business. One example would be the disposal of a business line previously managed according to the "hold to collect" model: in this case, the entity no longer sells this type of financial instrument and reclassifies all the assets concerned to a "Trading" business model.

The reclassification of debt instruments that pass the SPPI test is mandatory in the event of a change of business model and is not allowed in all other cases.

The instruments are reclassified prospectively in the opening balance sheet for the first year beginning after the date when the business model is changed, without restating prior period balance sheets or income statements.

Basic lending arrangement criterion, or "SPPI" test

The objective of the SPPI test is to ensure that the instrument's contractual cash flows consist "solely of payments of principal and interest" on the principal amount outstanding. In other words, the instrument must have the features of a "basic lending arrangement".

Principal is defined as the fair value of the financial instrument at initial recognition in the balance sheet.

Interest can include several components, of which:

iv. the compensation for the time-value of money;

v. compensation for the credit risk;

vi. compensation for liquidity or administrative costs; and

vii. a profit margin.

Financial assets that meet the basic lending arrangement criterion are debt instruments such as traditional loans, fixed and variable-rate bonds and trade receivables.

Financial assets that do not meet the basic lending arrangement criterion include debt instruments such as units in investment funds or structured securities.

By definition, derivatives and equity instruments such as equities and equity investments do not meet the basic lending arrangement criterion.

Under IFRS 9, financial assets are classified in one of the following four categories:

2.6.1.2.1 Financial assets at amortised cost

Debt instruments with cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test, or basic lending arrangement criterion) are classified at amortised cost if the objective of the business model is to hold the instrument to collect the contractual cash flows.

The objective of the "Hold to collect" business model is to hold the assets over a long period or until maturity to collect the contractual cash flows. In principle, financial assets allocated to this business model are not sold. However, their sale may be allowed in some circumstances (for example, sales due to an increase in the credit risk or of assets that are close to maturity, frequent sales representing non-material amounts, and isolated sales representing material or non-material amounts).

After initial recognition, financial assets at amortised cost are measured using the effective interest method, with application of the impairment requirements of IFRS 9.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset to the gross carrying amount of the financial asset. Effective interest includes transaction costs, arrangement fees, commitment fees – when drawdown is deemed more likely than not – or participation fees, and all other premiums or discounts. The effective interest rate corresponds to the yield to maturity.

Within the Group, this category of financial assets includes most loans and advances to customers and credit institutions, as well as most of the securities that make up the investments of the banking business.

2.6.1.2.2 Financial assets at fair value through OCI reclassifiable to profit or loss

Debt instruments with cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI test, or basic lending arrangement criteria) are classified as at fair value through other comprehensive income reclassifiable to profit or loss if the objective of the business model is to hold the instrument to collect the contractual cash flows and to sell the assets.

These assets are initially recognised at fair value and the impairment requirements of IFRS 9 apply.

For financial assets in this category, information is recognised in profit or loss as if the financial asset is measured at amortised cost, while the financial asset is measured in the balance sheet at fair value. Changes in fair value are recorded in other comprehensive income reclassifiable to profit or loss, such that the two accounting methods have the same impact on the balance sheet and income statement.

This is notably the case for the recognition of impairment. Any increase (expense) or decrease (income) in impairment affects profit or loss and the adjustment of the loss allowance is recorded in other comprehensive income reclassifiable to profit or loss.

When the securities are sold, the cumulative unrealised gain or loss previously recorded in other comprehensive income is removed from equity and recognised in profit or loss under "Net gains or losses on financial assets at fair value through other comprehensive income reclassifiable to profit or loss".

2.6.1.2.3 Financial assets at fair value through other comprehensive income not reclassifiable to profit or loss

For investments in equity instruments that are not held for trading, under IFRS 9 an irrevocable election may be made, at the date of initial recognition of each instrument, to present subsequent changes in fair value in other comprehensive income not reclassifiable to profit or loss.

In this case, the cumulative unrealised gain or loss in other comprehensive income is not reclassified to profit or loss on disposal of the instrument. Only the dividends received on the instrument affect profit or loss. The Group has elected to classify its equity investments in this category, with the exception of the Visa shares.

In the case of sale of these investments, the cumulative unrealised gain or loss in other comprehensive income is reclassified to reserves at 1 January.

2.6.1.2.4 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss is the default category under IFRS 9.

It includes debt securities that do not meet the basic lending arrangement criterion (investment funds, for example) and equity instruments that are not classified as financial assets at fair value through other comprehensive income not reclassifiable to profit or loss.

It also includes derivatives and other financial assets that are held for trading, i.e. acquired or issued with the intention to sell them in the short term. In the case of La Banque Postale, it notably includes loans to local authorities eligible for Caffil refinancing operations.

Changes in fair value of assets classified in this category are recorded in the income statement.

2.6.1.2.5 Impairment of financial assets

IFRS 9 requires loss allowances to be recorded for expected credit losses and not incurred losses as was previously the case.

IFRS 9 defines an impairment model applicable to all financial assets giving rise to a counterparty risk (excluding equity instruments) that are not measured at fair value through profit or loss, including all financial assets at amortised cost and at fair value through other comprehensive income reclassifiable to profit or loss. The model also applies to lease receivables, loan commitments and financial guarantee contracts.

A loss allowance corresponding to 12-month expected credit losses is recorded on initial recognition of financial assets measured at amortised cost and at fair value through other comprehensive income reclassifiable to profit or loss. The allowance is maintained at that amount provided that the credit risk does not increase significantly. 12-month expected credit losses correspond to the total loss given default, weighted by the 12-month probability of default. These assets are classified in "Bucket 1".

If the credit risk on a financial asset has increased significantly since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses. Lifetime expected credit losses correspond to the total loss given default weighted by the lifetime probability of default. These assets are classified in "Bucket 2".

Financial assets that are credit impaired are classified in "Bucket 3" and the loss allowance is increased to an amount equal to the lifetime expected credit losses.

The impairment model for credit impaired financial assets has been adjusted to take account of the Covid-19 crisis. The adjustments are described in Note 4.1.3 “Impact of the crisis on the measurement of credit risk”.

Significant increase in credit risk

Increase in credit risk is defined in relative, not absolute, terms. This relative approach implies being able to track the change in credit quality over time.

The Group uses a certain number of indicators to detect a possible deterioration in credit quality of a counterparty (the principles are described in Note 4).

Bucket 1 and Bucket 2 impairment models

Expected credit losses correspond to the difference between the contractual cash flows that the entity has the right to receive and the cash flows that the entity expects to recover, discounted at the financial asset’s effective interest rate.

The cash flows that the entity has the right to receive take account of all the contractual terms of the financial instrument over its expected lifetime (for example, early repayment options, extension options, etc.), and include cash flows from exercising contractual guarantees.

Expected credit losses are estimated based on the probability of default by the counterparty. Probability of default corresponds to the probability of the debtor defaulting within a given time period.

For “Bucket 1”, the time period is 12 months. For “Bucket 2”, the time period is the lifetime of the instrument. The Group calculates loss allowances on a statistical basis (by category of financial instruments with similar risk characteristics). Allowances calculated in this way can be adjusted in certain cases based on informed judgement, especially in the case of corporate loans.

Measurement of expected credit losses under IFRS 9 takes into account reasonable and supportable information about past events, current conditions and forecasts of future economic conditions ("forward looking information").

The forward-looking component is obtained via an approach consisting of three modelled scenarios. The final loss allowance corresponds to the average of the scenarios weighted by each scenario's probability of occurrence.

Credit impaired loans in "Bucket 3"

IFRS 9 does not provide any definition of default. On the contrary, it encourages the use of a definition that is consistent with the one used by the entity for the purpose of its risk management policy.

European Banking Authority (EBA) guidelines concerning application of the definition of default in Article 178 of Regulation (EU) 575/2013, applicable from 1 January 2021, and the provisions of Regulation (EU) 2018/1845 of the European Central Bank in relation to the threshold for assessing the materiality of credit obligations past due, applicable from 31 December 2020 at the latest, will strengthen overall consistency in the practices of European credit institutions as regards the identification of defaulted loans.

The definition of defaulted loans will be clarified by the introduction of a relative threshold and an absolute threshold to be applied to payments past due for the purpose of identifying situations of default, clarifying the criteria for reclassifying loans as performing after a probationary period, and introducing explicit criteria for classifying restructured loans as defaulted loans.

La Banque Postale Group applied these new guidelines for the purpose of identifying defaulted loans in 2020. The clarifications are consistent with the criteria used to assess the impaired status of "Bucket 3" loans by applying the impairment requirements of IFRS 9 relating to the recognition of expected credit losses. The changes resulting from the application of these new guidelines for identifying defaulted loans were not material.

In addition to identifying defaulted loans on the basis of regulatory criteria applicable to payments past due, a financial asset is considered to be credit impaired when a credit event has occurred that is indicative of financial difficulties.

The Group considers that there is an objective indication of default when:

- one or more missed payments are overdue by more than three months;
- an application for relief from excessive levels of consumer debt has been made to the Banque de France, even if no payment incident has occurred;
- legal proceedings are in progress;
- the loan is considered "high-risk" under the Group's risk management policy.

Home loans

Defaulted home loans are weighted by the "best estimate of the expected credit loss on the exposure at default" adjusted for certain accounting adjustments (such as the elimination of overweighting in risk monitoring analyses for the impact of an economic slowdown). The best estimate takes into account the period during which the loan is in default and the type of guarantee.

In the event of reassessment of impaired home loans, all or part of the loss allowance may be reversed and the loan removed from Bucket 3 when all arrears have been settled and at least three consecutive monthly instalments have been paid on time.

Lease finance and corporate loans

Specific loss allowances for these loans are tracked monthly and adjusted as necessary based on informed judgement. An impairment loss is recognised for the difference between the carrying amount and the net present value of the expected cash flows, discounted at the original effective interest rate and determined after taking account of the financial position of the borrower and the present value of guarantees received. The loans may be removed from Bucket 3 following a probationary period during which no credit event occurs (90 days, except for restructured loans for which the probationary period to exit from Bucket 3 is 12 months).

For all loans, the impairment loss is recognised in "Cost of risk" in the income statement, and the loss allowance is deducted from the carrying amount of the financial asset[1].

Applying the contagion principle, all outstanding loans to the same customer are written down as soon as one loan to that customer is written down by a Group entity.

Write-offs

Writing off a financial asset means reducing its gross carrying amount when there is no longer a reasonable expectation of recovering the asset in its entirety or a portion thereof, or when repayment of all or part of the amount due has been waived.

The decision about when to write off a financial asset is guided by informed judgement and is made in conjunction with the Group Risk Department, based on its knowledge of the matter (period during which the loan has been in default, loss allowance, amount involved, absence of any recent recoveries or other specific details). Amounts are only written off when all attempts at recovery and all possible solutions have failed.

Loan restructuring

Restructured loans are loans for which the original financial terms have been modified due to the borrower's financial difficulties.

Restructuring operations are defined according to two main criteria:

- concessions by the bank;
- financial difficulties experienced by the borrower.

The difference between the gross carrying amount of the loan before restructuring and the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate is recorded in cost of risk and on the balance sheet as a deduction from the outstanding loan. The modification loss is recognised in interest margin over the remaining life of the loan by the yield-to-maturity method.

Any waived principal amount is written off immediately to the income statement.

2.6.1.2.6 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or when these rights and substantially all the risks and rewards of ownership are transferred to a third party.

When certain risks and rewards of ownership are transferred but control of the financial asset is retained, the financial asset continues to be recognised to the extent of the entity's continuing involvement in the asset.

Within the Group, most loan renegotiations lead to derecognition, as the contractual rights are substantially modified.

(1) Regarding financial guarantees and financing commitments concerned by the impairment requirements of IFRS 9, refer to the relevant sections for details of the specific accounting treatment (provisions recorded in liabilities).

Collateralised repurchase agreements
Securities sold under collateralised repurchase agreements are not derecognised and a liability is recognised for the obligation to return the cash received. This financial liability is measured at amortised cost and not at fair value.

The acquirer does not recognise the securities received, but records a receivable for the cash loaned to the seller. In subsequent reporting periods, the securities continue to be measured using the model applicable to their original category. In the acquirer's accounts, the receivable is carried in loans and receivables for its nominal amount.

Securities lending
Securities lending/borrowing transactions do not quality as transfers of financial assets as defined in IFRS. Consequently, the loaned securities are not derecognised, but continue to be classified in their original category and measured according to the rules of that category.

2.6.1.3 Financial liabilities

2.6.1.3.1 General principle for the classification of financial liabilities

All financial liabilities are classified by default as subsequently measured at amortised cost.

At each reporting date, amortised cost is measured using the effective interest rate. Financial liabilities are recorded in the balance sheet under "Liabilities due to credit institutions", "Customer deposits", "Debt securities" or "Subordinated debt", except where they are the subject of a fair value hedge.

Liabilities due to credit institutions and customer deposits
Liabilities due to credit institutions and customer deposits are broken down by original maturity and by type: demand (demand deposits, ordinary accounts) or term (regulated savings accounts). Liabilities due to credit institutions include loans represented by collateralised and uncollateralised repurchase agreements.

Debt securities
Debt securities consist of money market securities issued by La Banque Postale.

Subordinated debt
Subordinated debt is debt that is subordinate in ranking to all other debts of the issuer for repayment purposes in the case of a liquidation. It is measured at amortised cost, except where it is the subject of a fair value hedge.

2.6.1.3.2 Financial liabilities at fair value through profit or loss

Financial liabilities classified in this category correspond to derivatives and other financial liabilities held for trading and liabilities designated at initial recognition as measured at fair value through profit or loss in accordance with the option provided by IFRS 9, when doing so results in more relevant information because:

- it eliminates or significantly reduces an accounting mismatch – this is the case for some of the Group's structured issues;
- a group of financial liabilities is managed and its performance is evaluated on a fair value basis;
- the financial liabilities are hybrid financial instruments containing one or more embedded derivatives that are not closely linked to the host contract.

Financial liabilities designated as measured at fair value through profit or loss are accounted for as follows:

- changes in the fair value of these liabilities are recognised in profit or loss except for the portion relating to the Group's own credit risk;
- changes in fair value relating to the Group's own credit risk are recorded in other comprehensive income not reclassifiable to profit or loss. The cumulative gain or loss related to the Group's own credit risk is not reclassified to profit or loss in the event of early repayment of the debt.

2.6.1.3.3 Distinction between debt and equity: Perpetual deeply-subordinated notes

Subordinated securities are classified as debt or equity instruments based on the analysis of their features, and more specifically according to whether or not their remuneration is discretionary.

When subordinated securities meet the criteria for classification as equity instruments, the remuneration is treated as a dividend and deducted from equity. In this case, since the remuneration represents a distribution of earnings, the deferred tax asset representing a tax saving is recognised in the income statement in accordance with IAS 12 and with the clarifications provided by the annual IFRS improvements (2015-2017 cycle).

All other dated and undated debt instruments, especially those with a repayment schedule, are classified as subordinated debt in accordance with IAS 32.

2.6.1.3.4 Financial liabilities with embedded derivatives

An embedded derivative is a component of a hybrid contract. It is separated from the host contract and recorded separately when, from the inception of the contract, its economic characteristics and the related risks are not closely linked to those of the host contract, except where the entire hybrid contract is measured at fair value through profit or loss. Within the Group, this category of liability notably includes structured issues (Euro Stoxx-indexed).

2.6.1.3.5 Reclassification of financial liabilities

The classification of a financial liability at initial recognition is definitive and no subsequent reclassification is permitted.

2.6.1.3.6 Derecognition of financial liabilities

Financial liabilities are derecognised when the contractual obligation is extinguished, cancelled, or expires.

2.6.1.4 Derivatives and hedge accounting

A derivative is a financial instrument or other contract that has the following three characteristics:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable (sometimes called the 'underlying');
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

Derivatives are classified in two categories:

Derivatives held for trading

Derivatives are classified as held for trading, except for derivatives designated as hedging instruments. They are recognised in the balance sheet at fair value in "Financial instruments at fair value through profit or loss". Changes in fair value and accrued interest are recognised in "Net gains and losses on financial instruments at fair value through profit or loss".

Hedging derivatives

Entities may elect not to apply the new hedge accounting requirements in IFRS 9 pending adoption of the new standard on macro-hedge accounting (also referred to as portfolio fair value hedge accounting). The Group elected to apply the micro-hedge accounting requirements of IFRS 9 with effect from 1 January 2020. Concerning macro-hedges of interest rate risks, the accounting standard adopted for use in the European Union continues to apply.

Derivatives that qualify as hedging instruments based on the criteria in IFRS 9 (IAS 39 for portfolio fair value hedges) are classified as "Fair value hedges" or "Cash flow hedges", as applicable. They are included in "Hedging derivatives" in the balance sheet. Other derivative instruments are classified as "Assets or liabilities at fair value through profit or loss" by default, even if they represent an economic hedge of one or several transactions.

A hedging relationship qualifies for hedge accounting only if there is formal designation and documentation of the hedging relationship (strategy for undertaking the hedge, designation of the hedged risk, the hedged item and the hedging instrument, description of the hedge effectiveness). Hedge effectiveness is assessed when the hedge is set up and at each reporting date while it remains in place.

There are three types of hedging relationships: fair value hedge, cash flow hedge and hedge of a net investment in a foreign operation.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of financial assets or liabilities. Fair value hedges are primarily used to hedge the interest rate risk on fixed-rate assets and liabilities, as well as on demand deposits on the basis allowed by the European Union.

The gain or loss arising from remeasurement at fair value of the hedging instrument is recorded in the income statement when the loss or gain on the hedged item affects profit or loss. Gains or losses attributable to the hedged risk are recognised in "Net gains or losses on financial instruments at fair value through profit or loss" in the income statement. The effective portion of the gain or loss on the hedging instrument offsets the loss or gain on the hedged item. The ineffective portion of the gain or loss, if any, is recognised directly in profit or loss. The portion corresponding to accrued income or expenses on the derivative is recognised in "Interest income and expense" in the income statement at the same time as the interest income and expense on the hedged item.

When the hedging instrument is sold, hedge accounting is discontinued prospectively; the instrument is recorded at fair value in "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss" and the cumulative gain or loss on the hedged item is amortised over the remainder of the initial hedging period.

If the hedged item is sold or otherwise disposed of, hedge accounting is discontinued prospectively and the hedging instrument continues to be carried in the balance sheet and measured at fair value through profit or loss. Any gain or loss on the sale of the hedged item is recognised in profit or loss.

Portfolio fair value hedges (macro-hedges)

Portfolio fair value hedging transactions carried out in connection with the management of fixed rate assets and liabilities are accounted for in accordance with IAS 39, as adopted by the European Union.

Portfolio fair value hedging instruments are mainly interest rate swaps designated as fair value hedges of the Group's fixed-rate liabilities.

They are accounted for according to the same principles as those described above. Fair value adjustments to the hedged positions are recorded in "Revaluation differences on portfolios hedged against interest rate risk".

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows from financial assets or liabilities, firm commitments or future transactions. Cash flow hedges are mainly used to hedge interest rate risks on adjustable-rate assets and liabilities.

The effective portion of the change in the fair value of the hedging instrument is accumulated in the cash flow hedge reserve in equity and the ineffective portion is recognised in the income statement in "Net gains or losses on financial instruments at fair value through profit or loss".

The portion corresponding to accrued income or expenses on the hedging instrument is recognised in "Interest income and expense on hedging transactions" in the income statement at the same time as the interest income and expense relating to the hedged item.

The hedged item continues to be measured according to the rules that apply to its accounting category.

When the hedging instrument is sold, hedge accounting is discontinued. The cumulative gain or loss on the hedging instrument recorded in the cash flow hedge reserve is adjusted to the cumulative change in fair value of the hedged item through interest income or expense, or recognised immediately in profit or loss. If the hedged future transaction is no longer expected to occur, the hedging instrument is reclassified in "Financial assets at fair value through profit or loss", and the gains and losses accumulated in the cash flow hedge reserve are reclassified immediately to profit or loss.

Hedge of a net investment in a foreign operation

The Group does not have any hedge of a net investment in a foreign operation.

2.6.1.5 Offsetting of financial assets and liabilities

A financial asset and liability are offset and the net amount presented in the balance sheet when, and only when, (i) the Group has a legally enforceable right to set off the recognised amounts, and (ii) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must be irrevocable and must be enforceable under all circumstances.

Collateralised repo transactions that fulfil the above two criteria are set off in the balance sheet when:

- both sides of the transaction concern the same counterparty;
- both sides of the transaction have the same maturity, fixed at the outset;
- both sides of the transaction are denominated in the same currency;

- the transaction is settled using a settlement/delivery system that guarantees delivery of the securities against receipt of the associated cash;
- the securities and cash are deposited with the same custodian.

Offsetting primarily concerns repo transactions carried out with the LCH Clearnet clearing house.

2.6.1.6 Determining fair value or market value

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an instrument at initial recognition is generally the transaction price.

IFRS 13 recommends using a quoted price in an active market whenever possible to determine the fair value of a financial asset or liability. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Examples include prices observed on exchange markets, dealer markets and brokered markets, or quoted by a regulatory agency, that reflect actual transactions (volumes, range of prices) conducted in an orderly market. In the absence of an active market, fair value is determined using valuation techniques. These techniques include the prices of recent transactions carried out on arm's length terms. They use recognised valuation methods based on market data, fair values of substantially identical instruments, discounted cash flow models or option pricing models. The aim of these techniques is to establish what the price of an instrument would be under normal market conditions. For example, the fair value of bonds or variable-income securities and futures is determined using quoted prices. Valuation techniques based on market data are used mainly to value over-the-counter derivatives, securities on which interest is paid up front (commercial paper, certificates of deposit, etc.) and repo deposits.

Financial instruments are analysed in Note 10.2 based on the three levels of inputs in the fair value hierarchy:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. These inputs are used primarily to value listed equities and derivatives traded on organised markets (futures, options, etc.).

  These include:

  - equities, measured on the basis of quoted prices on their reference market,
  - mutual fund units, measured at their net asset value,
  - bonds, BTAN treasury notes, EMTNs, BMTNs: for each instrument, fair value is determined based on the most recent quoted prices available – on the stock exchange, from brokers, trading rooms or trading platforms,
  - derivatives traded on an organised market (futures, options, etc.).
- Level 2 inputs: inputs other than quoted 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 apply to instruments valued using valuation techniques based on observable parameters and standard models or on the prices of similar instruments quoted on an active market.

  This category includes:

  - certain structured products measured using an internal model and mainly market parameters,
  - derivative instruments purchased over-the-counter (interest rate swaps, caps, etc.) that are measured using an internal model and mainly market parameters,
  - unlisted debt securities (bonds, TCN money-market securities, etc.) measured based on the zero coupon yield curve plus a spread,
  - investment property measured using prices observed for similar recent transactions or the rental value of equivalent-type properties,
  - any other over-the-counter financial instruments.

  Structured products held by the Group consist of financial instruments for which the returns are referenced to indices, baskets of equities, hedge fund returns or interest rate benchmarks.
- Level 3 inputs: unobservable inputs for the asset or liability. Unobservable inputs are defined as inputs based neither on observable market transactions involving the same instrument at the measurement date, nor on observable market data available at the same date.

  This category includes equity investments held by the Group and certain asset-backed securities. Equity investments are measured using information not available on an active market. The main valuation techniques are the market multiples method, comparisons with recent market transactions or references to criteria such as net assets, earnings outlook and discounted future cash flows, corresponding to the techniques commonly used to manage these instruments. In addition, some complex structured securities for which values are obtained through the counterparty are classified in this category (notably units in venture capital and innovation funds).

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.

The fair values of financial instruments carried in the balance sheet at amortised cost are presented in Note 10.1 to the consolidated financial statements.

2.6.1.7 Guarantee commitments

Financial guarantee contracts

IFRS 9 defines a financial guarantee contract as a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued by the entity are initially recognised at their fair value on the date of issue. They are subsequently measured at the higher of the amount of the obligation and the amount initially recognised, less the related fee income, where applicable.

Financial guarantees (which are not measured at fair value through profit or loss) are subject to the impairment requirements of IFRS 9, with any loss allowance recorded in liabilities. Financial guarantees are allocated to buckets and an allowance is recorded for expected losses in the same way as for financial assets at amortised cost or at fair value through other comprehensive income reclassifiable to profit. Changes in the loss allowance are recorded in cost of risk.

2.6.1.8 Financing commitments

Financing commitments that are not classified as derivatives are not recognised in the balance sheet.

However, in the same way as for financial guarantees, financing commitments (not classified as derivatives) are subject to the impairment requirements of IFRS 9, with any loss allowance recorded in liabilities.

2.6.2 Leases

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. When the asset is not identified, the contract is qualified as a contract for the provision of services.

2.6.2.1 Lease accounting – Group as lessor

Leases where the Group is lessor are classified as either operating leases or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. Finance leases are analysed as financing granted to the lessee for the purchase of an asset.

At the commencement date of the finance lease, the net investment in the lease – corresponding to the present value of future lease payments plus any residual value – is recognised as an asset, under "Loans and advances to customers".

The interest component of lease payments is recorded under "Interest income" in the income statement

Periodic lease payments are applied against the gross investment in the lease to reduce both the principal and the unearned finance income, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. The interest rate used to measure the net investment in the lease is the interest rate implicit in the lease.

The net investment in the lease is subject to the impairment requirements of IFRS 9.

The net investment in the lease is allocated to buckets and an allowance is recorded for expected losses in the same way as for financial assets at amortised cost or at fair value through other comprehensive income reclassifiable to profit. Changes in the loss allowance are recorded in cost of risk.

2.6.2.2 Lease accounting – Group as lessee

A right-of-use asset and a lease liability are recognised at the commencement date of all leases with a term of more than 12 months that concern physical assets with a unit value (on the commencement date) in excess of €5 thousand.

The lease liability is measured at the commencement date at the present value of the future minimum lease payments, including fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable by the lessee under residual value guarantees, the exercise price of a purchase option and payments of penalties for terminating the lease (if the lease term reflects the lessee exercising an option to terminate the lease). Lease incentives receivable from the lessor are deducted. Recoverable and non-recoverable VAT and property tax are excluded from the measurement of lease liabilities.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the lessee's incremental borrowing rate.

The lease term corresponds to the non-cancellable period of the lease together with periods covered by an option to extend or terminate the lease if the lessee is reasonably certain to exercise the option. The term used is generally the period covered by the lease.

The lease payments reduce the lease liability over the term of the lease, with the interest component calculated at an amount that produces a constant periodic rate of interest on the remaining balance of the liability.

The right-of-use asset is also recognised at the commencement date of the lease, under "Property, plant and equipment", for an amount equal to the lease liability plus any lease payments made at or before the commencement date, any initial direct costs incurred to obtain the lease (fees, lease premium, etc.) and an estimate of costs to be incurred by the lessee in dismantling the underlying asset or restoring it to the condition required by the terms and conditions of the lease.

It is depreciated on a straight line basis over the lease term.

Deferred taxes are recognised on timing differences between depreciation of the right-of-use asset and amortisation of the lease liability.

In accordance with IFRS 16, no right-of-use asset or lease liability is recognised for leases on intangible assets. Lease payments for these leases are recorded as an expense for the period to which they relate.

2.6.3 Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets recorded in the balance sheet correspond to assets used to run the business, i.e. for administrative purposes.

Property, plant and equipment are initially recognised at cost, corresponding to the purchase price plus any costs directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Theyr are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

The depreciable amount of an asset is determined after deducting its residual value net of disposal costs, if that value can be measured and is significant.

Property, plant and equipment are depreciated at a rate that reflects the estimated rate at which the future economic benefits embodied in the asset are consumed. In practice, the depreciation period generally corresponds to the asset's useful life.

When an item of property, plant or equipment includes several parts that may need to be replaced at regular intervals, have different uses, or provide economic benefits at different rates, each part is recognised separately from the outset and is depreciated according to a specific depreciation schedule.

Depending on their parts, buildings are depreciated over periods ranging from 10 to 80 years, as follows:

- shell: 80 years;
- roofing: 60 years;
- joinery and external work: 40 years;
- major equipment items: 20 years;
- small equipment items, fixtures and fittings: 10 years.

Internally-developed software that meets the criteria for recognition as an intangible asset is initially recognised at its development cost, including external expenditures and the cost of employees directly assigned to the project. Software is generally amortised over a period of between three and seven years, or ten years, depending on its useful life.

Depreciable and amortisable assets are tested for impairment at the reporting date when there is an indication that they may be impaired. Non-depreciable/amortisable assets are tested for impairment at least once a year and whenever there is an indication that they may be impaired.

If any such indication is present, the recoverable amount of the asset is compared with its carrying amount. If the recoverable amount is less than the carrying amount, an impairment loss is recorded in profit or loss and the depreciation or amortisation charge for the asset is adjusted prospectively. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount or there are no longer any indications of impairment.

Depreciation, amortisation and impairment charges are recognised in "Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets" in the income statement.

Gains and losses on the disposal of property, plant and equipment and intangible assets used in the business are recorded in the income statement under "Net gain or loss on other assets".

Contractual customer relationships

When an insurance business is acquired, the fair value of the future economic benefits expected to flow to the Group from the current contractual customer relationships is recognised as an intangible asset, provided that a sufficiently reliable estimate can be made of premium renewals (estimate already prepared for the calculation of MCEV). Contractual customer relationships are amortised by the straight-line method, based on the following periods by business segment which reflect the period during which the economic benefits are expected to be consumed (as projected for MCEV calculation purposes):

- unit-linked savings policies in Italy and individual death & disability insurance policies in Brazil: 10 years;
- individual death & disability policies in France: 15 years;
- individual pension policies in Brazil: 20 years.

Distribution agreements

The value of a distribution agreement represents the future cash flows expected to be generated by new business written through the partner network under the agreement. The intangible asset recognised for a distribution agreement is determined based on the agreement's specific terms and conditions and is amortised over the term of the agreement taking into account a residual value where appropriate.

Amortisation and impairment of contractual customer relationships and distribution agreements are recognised in "Expenses from other activities" in the income statement.

Acquired in-force business

On acquisition of an insurance business, the insurance liabilities assumed and related insurance assets acquired are measured at fair value. Under IFRS 4, the net fair value may be allocated between:

- a liability measured in accordance with the insurer's accounting policies for insurance contracts written by the insurer;
- an intangible asset for the Value of Business Acquired (VOBA), representing the difference between:
  - the fair value of the contractual rights acquired and contractual obligations assumed, and
  - the above liability.

When the Group acquired control of CNP Assurances, VOBA was calculated and recognised as an intangible asset. VOBA is excluded from the scope of IAS 36 and IAS 38 (IFRS 4, paragraph 33).

VOBA is tracked by entity according to four sub-segments (Traditional Savings & Pensions, Unit-Linked Savings, Term Creditor Insurance, Individual/Group Death & Disability Insurance) and amortised over the remaining life of the contracts in line with the expected pattern of estimated future profits. These periods are shown in the table below:

Number of years	France	Italy	Brazil	Spain	Ireland
Traditional Savings and Pensions	[11.9 – 19]	[4.5 – 19]	[3.8 – 12]	[6.3 – 12]	[11.9 – 19]
Unit-Linked Savings	10.5	4.8	10.5	7.7	10.5
Term Creditor Insurance	5.9	6.4	6.8	3.3	1.7
Death & Disability	[1.3 – 7.5]	[1.3 – 7.5]	[4.8 – 7.1]	[1.3 – 7.1]	[1.3 – 7.5]

2.6.4 Investment property

Investment property is property (land or building) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes, or for sale in the ordinary course of business.

The Group has elected to measure investment property using the cost model (see Note 2.5.4 for details), as allowed by IAS 40, except for properties held in unit-linked portfolios which are measured at fair value.

The fair values of properties measured using the cost model are also disclosed in these notes to the financial statements. Fair value is the price that would be received to sell a property or shares in a non-trading property company in an orderly transaction. It is determined on the basis of five-year valuations performed by a qualified expert recognised by the French insurance supervisor (ACPR). In the period between two five-year valuations, fair value is estimated at each year-end and the amounts obtained are certified by a qualified expert.

Impairment

At the end of each reporting period, properties are assessed to determine whether there is any indication that they may be impaired. One such indicator is a fall in value to more than 20% below cost. If there is an indication of impairment, the recoverable amount of the property concerned is estimated and an impairment test is performed.

The recoverable amount of a property is the higher of its value in use and its market price less costs to sell, as determined by annual independent valuations of the Group's entire property portfolio. An impairment loss is recognised if the recoverable amount of the property is less than its carrying amount. Otherwise, no impairment loss is recorded.

2.6.5 Regulated savings accounts

The home savings accounts (CEL) and home savings plans (PEL) introduced for future home buyers by the law of 10 July 1965 include two phases: a saving phase, during which the saver earns interest, and a borrowing phase when the savings are used as a deposit for a home purchase financed in part by a subsidised loan.

They generate two types of obligation for the distributing institution:

- an obligation to remunerate future savings at a rate that is set for an indefinite period when the account is opened (PEL accounts opened before 28 February 2011) or that is revised annually (new generation accounts);
- an obligation to grant a home loan to customers who request it, at a rate set when the account is opened.

These obligations have potentially unfavourable consequences for the Group, which are covered by provisions recorded in liabilities (under "Provisions"). Changes in these provisions are taken into account for the determination of the net interest margin included in net banking income.

The provisions are estimated on the basis of customer behaviour statistics and market data for each generation of plans, in order to cover the future cost arising from the products' potentially unfavourable interest rate terms relative to the rates offered to retail customers for similar products for which the remuneration is not regulated. The provisions only concern obligations in respect of home savings accounts and plans in progress at the date the provision is calculated.

Provisions are calculated for each generation of home savings plan, without offsetting obligations between generations, and for all the home savings accounts, which are considered as representing a single generation.

During the saving phase, the provision is measured as the difference between expected average savings deposits and expected minimum savings deposits, determined in both cases on a statistical basis taking into account observed historical customer behaviours.

During the borrowing phase, the provision concerns outstanding loans not yet due at the reporting date and future loans that are considered as statistically probable based on balance sheet deposits at the calculation date and observed historical customer behaviours.

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

The net present value of future income is assessed relative to the interest rates offered to retail customers on equivalent savings and lending products for similar periods and with similar commencement dates.

2.6.6 Provisions

Provisions recorded in liabilities, other than those relating to credit risk or employee benefits, are liabilities of uncertain timing or amount. A provision is recorded when the Group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits without any benefit of at least equivalent value expected in return.

The expected outflow of resources is discounted when the effect of discounting is material.

Changes in provisions are recorded in the income statement under the captions corresponding to the nature of the future outflow of resources.

2.6.7 Contribution of the insurance activities

Technical provisions for insurance contracts are presented separately in liabilities under "Insurance company technical provisions and shadow accounting reserves" (see Note 5.18).

In application of ANC recommendation 2017-02, the Group has elected not to present its insurance activities as separate items in assets and in the income statement, but rather to include them in existing balance sheet and income statement captions.

These items are presented in a specific note to the consolidated financial statements (Note 7, "Insurance activities").

Insurance assets

Insurance investments

Investments are included in the following captions:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income;
- securities at amortised cost;
- loans and advances to customers at amortised cost;
- investment properties, with the addition of a specific note following the acquisition of CNP Assurances (Note 5.11).

The accounting policies applicable to financial assets and investment properties are presented in Note 2.5.1 and Note 2.5.5, respectively.

Other insurance-related assets:

- The reinsurers' share of technical provisions is recorded in "Accruals and other assets" (Note 5.9).
- Insurance and reinsurance receivables are recorded in "Accruals and other assets".

Insurance liabilities

"Insurance company technical provisions and shadow accounting reserves" include:

Technical provisions relating to life and non-life insurance contracts

(see Note 2.4.3 for details)

The deferred participation provision

The accounting policies applicable to insurance liabilities are explained in Note 2.4.3.

Other insurance-related liabilities

Liabilities arising from insurance and reinsurance transactions are recorded in "Accruals and other assets". They mainly consist of cash deposits received from reinsurers.

Insurance-related income and expenses

- Income and expenses from insurance investments are included in the income statement caption used for the underlying assets (financial assets and investment properties).
- Income from insurance activities (earned premiums from insurance contracts and investment contracts with or without a discretionary participation feature) is classified as "Income from other activities".
- Expenses from insurance activities (paid claims and benefits, changes in technical provisions) are classified as "Expenses from other activities".

2.6.8 Interest income and expense

Interest income and expense are recognised in the income statement for all financial instruments measured at amortised cost using the effective interest method and for financial instruments at fair value through other comprehensive income. This item also includes accrued interest on fair value hedging instruments and on debt instruments held as assets and measured at amortised cost or at fair value through other comprehensive income.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The calculation of this rate takes into account all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

2.6.9 Fee and commission income and expenses

In accordance with IFRS 15, fees and commissions are recognised in the income statement when the related performance obligations are satisfied:

- when the performance obligation (service) is satisfied over time, the fee is recognised over the service period (payment media processing fees);
- when the performance obligation is satisfied at a point in time or concerns a significant transaction, the fee or commission is recognised in the income statement when the service is provided or the transaction is executed (intermediary commission, payment incident fee);
- variable fees are recognised in the income statement only when it is highly probable that the fee will not be reduced significantly compared to the recognised amount;
- fees that represent additional interest (loan fees) are an integral part of the effective interest rate and are recognised in interest income and expenses and not in fees and commissions.

2.6.10 Cost of risk

Cost of credit risk includes:

- impairment losses and reversals on financial assets at amortised cost and at fair value through other comprehensive income reclassifiable to profit or loss, analysed by bucket;
- impairment losses and reversals on finance lease receivables;
- changes in provisions relating to financial guarantee contracts and financing commitments;
- discounts on restructured loans and recoveries of loans written down in full;
- bad debt write-offs.

2.6.11 Income tax

Current taxes

La Banque Postale and some of its French subsidiaries are members of the La Poste tax group.

Deferred taxes

Deferred taxes are recognised on all temporary differences between the carrying amount of an asset or liability and its tax base, except in exceptional cases.

Deferred taxes are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised for the tax loss carryforwards of subsidiaries only when it is probable, based on business plan projections, that taxable profit will be available against which the unused tax losses can be utilised within a specified reasonable period.

Deferred taxes are recognised in the income statement under "Income tax", except for deferred taxes on unrealised gains and losses on assets at fair value through other comprehensive income reclassifiable to profit or loss and on fair value adjustments to derivatives designated as cash flow hedges, which are recognised in other comprehensive income.

Deferred tax assets and liabilities are offset at the level of each taxable entity or tax group.

Net deferred tax assets are recognised only if it is probable that the entity concerned will generate sufficient taxable profit to permit their recovery within a specified period.

2.6.12 Employee benefits

La Banque Postale Group provides different types of benefits to its employees, some of whom are civil servants and others who are contract staff. These benefits fall into four categories:

Short-term benefits

Short-term benefits primarily include salaries, annual paid leave, discretionary and statutory profit-sharing and bonuses that are paid within 12 months of the end of the financial year to which they relate.

They are recorded as expenses for the year, including amounts still owing at year-end.

Long-term benefits

Long-term benefits are benefits generally linked to years of service, that are paid to active employees more than 12 months after the end of the financial year in which they vest, such as pay in lieu of time off accumulated in time savings accounts.

A provision for the amount of the benefit obligation is recorded at year end.

Termination benefits

Termination benefits are payable to employees when their employment contract is terminated before retirement, whether as a result of dismissal or as part of a voluntary redundancy plan. Provisions for termination benefits are determined based on the vested rights of active employees, taking into account estimated staff turnover, estimated future salary levels (including payroll taxes where applicable) and mortality rates (INSEE TH/TF00-02 mortality table). Termination benefits payable more than 12 months after the reporting date are discounted.

Post-employment benefits

Post-employment benefits include length-of-service awards payable to employees on retirement and pensions and benefits for retired employees.

The pension plan for contract staff is a defined contribution plan under which the Group pays fixed contributions to an external fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits due. Consequently, once the contributions have been paid, no liability or benefit obligation is recorded in the Group's financial statements. Contributions paid to an external fund or insurance company are expensed in the period concerned.

A provision is recorded in liabilities for post-employment benefit obligations (mainly for length-of-service awards payable to employees on retirement) not covered by contributions to an external fund or insurance company recorded as an expense. The assets of funded plans are segregated and managed separately from the Group's assets. Obligations under unfunded plans are recognised in liabilities.

In the case of funded defined benefit plans, any surplus or deficit corresponding to the difference between the fair value of the plan assets and the projected benefit obligation is recognised as an asset or liability in the balance sheet.

Projected benefit obligations are measured using the projected unit credit method, in accordance with IAS 19R. Actuarial assessments are performed every year.

The assessment takes into account external economic assumptions (discount rates, inflation rates, pension increases, etc.), together with assumptions that are specific to the Group (employee turnover rates, future salary levels, etc.).

The provision recorded in the balance sheet for post-employment defined benefit plans corresponds to the projected benefit obligation at the reporting date, adjusted for actuarial gains and losses and unrecognised past service cost. Actuarial gains and losses are recognised in other comprehensive income and past service cost is recognised in the income statement. The projected benefit obligation is calculated on an annual basis using the projected credit unit method. It is determined by discounting expected future cash outflows at the market interest rate for investment grade corporate bonds denominated in the currency in which the benefit will be paid and with a maturity that is close to the average estimated maturity of the underlying obligation.

The actuarial assumptions used to measure employee benefit obligations are reviewed and updated once a year at year-end.

They concern:

- the probability of active employees staying with the Group, mortality rates and estimated future salary levels;
- retirement assumptions;
- discount rates used to calculate the projected benefit obligation – the discount rates used for the 2020 and 2019 actuarial valuations, based on interest rates for investment grade corporate bonds, are as follows:

Duration of the obligation	5 years	10 years	15 years	20 years
2020 discount rate (eurozone)	-0.13%	0.09%	0.31%	0.56%
2019 discount rate (euro zone)	0.12%	0.43%	0.67%	0.90%

2.6.13 Non-current assets held for sale and discontinued operations

When the Group decides to sell a non-current asset or a group of non-current assets (a disposal group) and it is highly probable that the sale will occur within 12 months, the asset or disposal group is presented on a separate line in the balance sheet under "Non-current assets held for sale". Any liabilities associated with the asset or disposal group are also reported on a separate line, "Liabilities related to non-current assets held for sale".

Assets reclassified as held for sale are no longer depreciated and are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses on assets or a disposal group held for sale are recognised in the income statement. They are reversible up until the disposal date.

Financial instruments continue to be measured in accordance with IFRS 9.

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 € millions)	Acquisition date: 4 March 2020
Acquisition-date fair value of the previously held interest	1,933
Loss recognised on remeasurement at fair value of the previously held interest	(1,578)

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 badwill. 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 € millions)	Footnote	Acquisition date: 4 March 2020
Total fair value of assets acquired (A)		**442,162**
Financial assets at fair value through profit or loss		182,841
Financial assets at fair value through OCI		218,206
Securities at amortised cost		166
Loans and advances to customers at amortised cost		4,068
Accruals and other assets		30,043
Investment properties		3,079
Property, plant and equipment		172
Intangible assets		2,681
Other assets		907
Total fair value of liabilities assumed (B)		**420,628**
Financial liabilities at fair value through profit or loss		1,879
Liabilities due to credit institutions		296
Customer deposits		12,969
Accruals and other liabilities		18,137
Insurance company technical provisions and shadow accounting reserves		378,412
Subordinated debt		6,988
Other liabilities		1,947
Fair value of net assets acquired (100% basis) (C = A - B)		**21,534**
Attributable to owners of the parent (D)	**(a)**	**10,537**
Net assets attributable to non-controlling interests		10,997
Fair value of previously held interest (E)	**(b)**	**1,933**
Acquisition price (fair value of consideration transferred to the vendor) (F)		**4,027**
Provisional badwill (G = F + E - D)	**(c)**	**(4,578)**

(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 badwill method was used to account for the business combination between La Banque Postale Group and the CNP Assurances group. 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 interest's 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 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 CNP Assurances 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 badwill 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 badwill (gain on a bargain purchase) 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 2020

The contribution to 2020 consolidated net profit of the combined entity was as follows:

(in € millions)	Amounts recognised in the income statement	Amounts that would have been recognised if the acquisition had taken place on 1 January*
Net banking income	2,309	2,831
Attributable net profit	5,114	5,216

* These data have not been subject to any pro forma restatements. The amounts presented above correspond to net banking income and net profit attributable to owners of the parent before eliminating intra-group transactions, determined as if the acquisition had taken place on 1 January 2020.

The above figures 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 the acquisition date

		CNP Assurances							Other (intra-group eliminations, share issue and loss on CNP Assurances shares based on equity method)[2]	Group total at acquisition date
(in € millions)	Balance sheet of La Banque Postale at the acquisition date before consolidating CNP Assurances	Insurance investments	Reinsurers' share of technical provisions	Insurance liabilities	Insurance and reinsurance receivables and payables	Other	Fair value adjustments[1]	Effect of consolidating CNP		
Cash, central banks	17,203					0		0		17,203
Financial assets at fair value through profit or loss	12,974	182,841						182,841		195,815
Hedging derivatives	1,785									1,785
Financial assets at fair value through OCI	14,544	218,206						218,206		232,750
Securities at amortised cost	28,005	159					6	166		28,171
Loans and advances to credit institutions at amortised cost	73,253					1,722		1,722		74,976
Loans and advances to customers at amortised cost	117,987	2,346						2,346		120,333
Revaluation differences on portfolios hedged against interest rate risks	305									305
Current tax assets	368					386		386		754
Deferred tax assets	256					(623)	653	30		286
Accruals and other assets	3,666		21,474		2,835	6,415	(681)	30,043	(452)	33,257
Deferred participation assets						4		4		4
Investments in equity-accounted companies	3,566					487		487	(3,511)	541
Investment properties		2,409					670	3,079		3,079
Property, plant and equipment	779					172		172		951
Intangible assets	838					430	2,250	2,681		3,519
Goodwill	160					218	(218)			160
TOTAL ASSETS	**275,691**	**405,961**	**21,474**		**2,835**	**9,212**	**2,680**	**442,162**	**(3,963)**	**713,890**

(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 SA, 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.

(in € millions)	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 adjustments[1]	Fair value	Effect of consolidating CNP		
Financial liabilities at fair value through profit or loss	1,851					1,879		1,879		3,730
Hedging derivatives	826	5						5		831
Debt securities	24,317									24,317
Liabilities due to credit institutions	31,718					296		296		32,014
Customer deposits	193,117					12,969		12,969		206,086
Revaluation differences on portfolios hedged against interest rate risks	946									946
Current tax liabilities	29					35		35		65
Deferred tax liabilities	149					(121)	1,378	1,257		1,406
Accruals and other liabilities	4,975				13,786	4,351		18,137	(327)	22,785
Insurance company technical provisions	2,552			378,208			205	378,412	(125)	380,839
Provisions	341					650		650		990
Subordinated debt	3,133					6,390	598	6,988		10,121
Equity	**11,736**					**15,075**	**499**	**15,574**	**2,449**	**29,759**
Equity attributable to owners of the parent	**11,658**					**4,802**	**(224)**	**4,578**	**2,449**	**18,684**
Non-controlling interests	**78**					**10,273**	**724**	**10,997**	**0**	**11,075**
TOTAL LIABILITIES AND EQUITY	**275,691**	**5**		**378,208**	**13,786**	**41,523**	**2,680**	**436,202**	**1,997**	**713,890**

(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 SA, 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 FINANCIAL MANAGEMENT, CREDIT RISK AND MARKET RISK EXPOSURE, HEDGING POLICY AND COVID-19 IMPACTS

4.1 Covid-19 impacts

The Covid-19 health crisis and the related economic fallout constituted the single biggest event of 2020, and La Banque Postale adapted its marketing, operational and risk management processes accordingly. La Banque Postale acted immediately to deploy measures to support its customers and reviewed its risks on an ongoing basis so they were properly reflected in the financial statements.

In March 2020, after 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 inevitably had major consequences on the economy and 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 and retail customers, including:

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

In October 2020, after noting a strong resurgence in the spread of the virus, the French government once again imposed a lockdown and approved new targeted support measures. During this period, La Banque Postale continued working hard for its customers and reviewed its risk management and measurement processes with a view to ascertaining the best possible estimate of its credit risk exposure – based on available information and the assumptions of its experts – and reflecting this exposure in its financial statements for the year ended 31 December 2020.

This section describes the main impacts of the Covid-19 pandemic on the Group's financing activities and how it factored these impacts into the estimates of its credit risk exposure at 31 December 2020.

4.1.1 Repayment holidays

La Banque Postale offered support to its business and professional customers and retail 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 La Banque Postale's initiative, in the case of specifically targeted vulnerable customers.

Corporate customers

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

For markets and products representing high volumes but modest amounts (such as the professionals and SME markets, equipment lease products, etc.), repayments of total monthly instalments were unilaterally waived by La Banque Postale (except where this went against the customer's wishes) through to 30 September 2020. This amounted to a six-month extension of the term of the loan without any adjustment of 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 rules applied in each case were that the holiday could not exceed six months and accrued interest was not waived.

Counterparties that were considered at risk or had defaulted prior to the crisis, i.e., rated as B2 and B3 in accordance with IFRS 9, were examined on a case-by-case basis and an opinion was issued by the Troubled Loans Department.

As soon as EBA guidelines EBA/GL/2020/08 were published, repayment holidays for an additional six months were granted to customers in the tourism sector who requested them (decree of 13 July 2020, appendix 7, amending the decree of 23 March 2020, as published in the Official Journal). The total repayment holiday granted to eligible customers was capped at 12 months, including these additional six months.

No repayment holidays were granted in late 2020 pursuant to the decision published on 2 December 2020 authorising repayment holidays through 31 March 2021 on loans granted prior to 2 December 2020, and on loans already eligible for a repayment holiday of up to nine months through 30 September 2020.

Recovery efforts focusing on corporate customers were stepped up in 2020 to enhance risk identification and oversight of the portfolio in light of the impact of the Covid-19 crisis.

At 31 December 2020, La Banque Postale had granted repayment holidays on 13,610 loans, representing 4,299 customers and total outstanding principal of €2,651 million. Of this amount, the repayment holiday on €2,193 million worth of outstanding principal had ended at 31 December 2020. Repayment holidays still in progress at 31 December 2020 represented €458 million in exposure, including €36 million for professional customers and €422 million for corporate customers.

Retail customers

Repayment holidays were granted on home loans and consumer credit 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 amounts concerned by the repayment holiday were deferred to the end of the loan.

Consumer credit 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 at La Banque Postale's initiative, depending on whether or not the customer's revenues had been affected by the crisis.

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

The repayment holidays were granted for two periods: during the first lockdown, between end-March 2020 and 1 July 2020, and again during the second lockdown beginning from November 2020 (with adjusted eligibility criteria).

At 31 December 2020, La Banque Postale had granted non-contractual repayment holidays on 17,178 loans, representing total outstanding principal of €1,959 million. Of this amount, the repayment holiday on €1,852 million worth of outstanding principal had ended at 31 December 2020.

Accounting treatment of repayment holidays

The nature and financial impact of the modification of contractual cash flows resulting from repayment holidays are analysed to determine whether the repayment holidays qualify as substantial modifications under IFRS 9.

Where the modification is not qualified as substantial (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 2020.

4.1.2 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 ride out the economic and health crisis brought on by Covid-19. These government-backed loans were made available between 16 March and 31 December 2020 through France's main banking institutions, including La Banque Postale[(1)].

The loans are designed to assist businesses experiencing cash flow problems. No repayments are due in the first year, after which the borrower has the option of either repaying the loan immediately or spreading the repayments over a period of up to five years. The loans are backed by a government guarantee covering between 70% and 90% of the principal, interest and incidental fees, depending on the size of the borrower's business. 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.

Following the French government's announcement of 14 January 2021, repayment may be deferred through 31 March 2022 if the customer makes a request to this effect.

The guarantee comes into effect two months after the loan is granted.

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.

4.1.3 Impact of the crisis on the measurement of credit risk

Throughout 2020, the Group Risk Department performed extensive analyses with a view to determining a cost of risk that reflects the actual short- or medium-term risk on its retail and corporate loanbooks, aside from losses already taken on these loans.

Following completion of this work, La Banque Postale considers that the Group's overall risk monitoring process and the related provisioning methods provide a detailed picture of loanbook risk exposure while also meeting the requirements of the European supervisor. All of the policies set out in Section 4.2 continue to be applied by La Banque Postale amid the continuing uncertainty of the crisis, with the classification and provisioning of the Group's exposures continuing to be based on:

- automatic processes for identifying potential significant increases in credit risk and for classifying or proposing classification in "buckets" in accordance with IFRS 9;
- control and approval processes performed by the Group Risk Department and individual or collective adjustment decisions taken as part of the exposure monitoring process (Watchlists, sector-based measures, etc.).

(1) The decree of 29 December 2020 amending the decree of 23 March 2020 (published in the Official Journal) has extended the government-backed loan scheme through 30 June 2021.

Consequently, the impacts of the Covid-19 pandemic (and its macro-economic fallout) on the measurement of the Group's credit risk fall into two broad categories:

- general impacts on both the retail and corporate loanbooks related to the recalibration of all models and scenarios underlying the calculation of statistical provisions; and
- specific impacts on certain customer segments related to measures taken by the Group Risk Department following an analytical review of the entire loanbook.

General measures taken to adjust statistical provisions:

All Probability of Default models used to calculate loss allowances in accordance with IFRS 9 were reviewed to assess the expected impacts of the crisis(1). The most recent data on behaviour and/or changes in risk profiles (changed ratings) were integrated along with new forecast scenarios to obtain the appropriate parameters at 12 months and at maturity (and to avoid inconsistent provisioning – especially on the Low Default Portfolio – and its procyclical effects).

Macro-economic scenarios used for provisioning were also recast and adapted to the Group's specific circumstances to factor the impacts of the crisis into the calculation of Forward Looking Expected Credit Losses: projections of the variables used in each of these scenarios were re-estimated in order to systematically integrate the projected effects of the Covid-19 crisis. The weightings for each of these scenarios were also reviewed to reflect possible changes in the macro-economic outlook.

Further details are given in Section 4.2 of this document.

Corporate customers

To prepare its annual financial statements, La Banque Postale adopted an approach to determining loss allowances that was designed to avoid exacerbating procyclical effects and to ensure that credit risk was adequately reflected, based on observations of the loanbook and the expertise of the Group Risk Department.

On this basis, as explained above, Corporate & Investment Banking cost of risk at 31 December 2020 results from:

- the exposure monitoring process;
- specific provisioning decisions made by dedicated committees for outstanding loans under surveillance (included on the Watchlist and/or credit impaired loans classified in Bucket 2 and defaulted loans classified in Bucket 3 under IFRS 9);
- application of sector-specific or other provisioning principles.

As regards this last group, the process for recording general low allowances was extended in fourth-quarter 2020 to cover a greater volume of customers and sectors while targeting the most sensitive risk areas within a given sector. Sector-specific loss allowances were recorded on exposures in the following sectors at 31 December 2020:

- Tourism, Hospitality and Leisure;
- Private air and land passenger transport;
- the Photovoltaic Energy sector in France, due to a review of pricing conditions;
- certain segments of the Retail sector;
- the Automotive sector.

The related exposures were reclassified to Bucket B2 as there was considered to have been an increase in their credit risk since they were added to the loanbook.

The Covid-19 crisis led to a €364 million increase in Corporate & Investment Banking cost of risk at 31 December 2020, including €95 million in cross-parameter effects and €211 million in general loss allowances. Lastly, expected credit losses on significant individual exposures, calculated on a case-by-case basis, are estimated at €58 million.

Retail customers

Up to now, the Covid-19 crisis has had only a limited impact on La Banque Postale's Retail Banking credit exposures. The crisis could nonetheless 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 and adjust loss allowances accordingly, the risk parameters associated with default probabilities and various macro-economic scenarios were reviewed in second-half 2020 as explained previously. In addition, loans to customers in certain socio-economic categories (SEC) were reclassified in Bucket 2 to reflect the expectation that these categories would be materially affected by the second lockdown and the duration of the health crisis, which limited or halted activity throughout whole sectors of the economy.

In the case of loans subject to non-contractual payment deferrals due to the Covid-19 crisis (home loan repayment holidays and consumer finance renegotiations above and beyond contractual obligations) that were decided at the customer's request or at La Banque Postale's initiative, the credit quality of the customers concerned by the deferrals was considered as having deteriorated. These loans were reclassified to Bucket 2, with some exceptions, leading to the recognition of allowances for the lifetime expected credit loss. When repayments resume, once a three-month probationary period has elapsed, the exposures in question are reclassified as performing loans (Bucket 1).

There was no major change in the risk profile of Retail Banking exposures at 31 December 2020 and the effects of the Covid-19 crisis had not yet had a material impact.

The increased cost of risk for 2020 was mainly due to the revision of risk parameters to anticipate the impact of the crisis (€64 million) and to reclassification to Bucket 2 of certain loans subject to repayment deferrals (€8 million) and loans to customers in certain socio-economic categories (€18 million).

(1) For personal banking customers (credit scoring models and associated default probabilities are linked to the characteristics of the products held by the customer and the length of the customer relationship); and corporate customers (specific models for banks, sovereigns, local public sector players, large corporates, and SMEs).

Financial impacts of the Covid-19 pandemic for CNP Assurances

The financial impacts of the Covid-19 pandemic were as follows:

- CNP Assurances made a €25 million exceptional contribution to the €400 million solidarity fund set up by the industry federation, Fédération française de l'assurance (FFA), in support of French government funding to help SMEs, micro-enterprises and self-employed workers. This contribution is reported in the consolidated income statement under "Expenses from other activities";
- CNP Assurances also increased its insurance and reinsurance support for group death/disability insurance plans by setting aside a €50 million budget to expand coverage beyond its contractual obligations. This amount is reported under "Expenses from other activities". The final cost of the expanded coverage will depend on the proportion of insureds who cannot work from home or who have applied to be placed on sick leave in order to shield themselves from the risk of infection or to care for their children;
- distribution activities were limited in the first half due to the temporary closure of bank branches and post offices during lockdown;
- the impact of the Covid-19 crisis on intangible assets was not material.

4.2 Credit risk

4.2.1 General framework

The Group Risk Department manages the credit risk taken on by La Banque Postale, i.e. the risk incurred in the event of default by a customer or a group of connected customers considered as constituting a single risk within the meaning of Regulation (EU) 575/2013 of the European Parliament and the Council on prudential requirements for credit institutions and investment firms (CRR).

The Executive Board sets the fundamental risk management principles (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 under the supervision of the Group Risk Department. These fundamental principles are described in the Risk Management Operational Policy (RMOP) described in chapter 4 of the Universal Registration Document.

4.2.2 Significant increase in credit risk

4.2.2.1 Principles

La Banque Postale defines seven principles for assessing a significant increase in credit risk in accordance with IFRS and the guidelines of the European Banking Authority (EBA) for moving loans from Bucket 1 to Bucket 2.

Principle 1 – Monitoring of credit risk: in accordance with IFRS 9, credit quality is assessed from the beginning of the commitment. Credit quality is measured at each reporting date after initial recognition in order to determine the classification of the asset concerned.

A financial instrument is classified as sensitive when there has been a significant increase in credit quality since initial recognition (comparison of the asset's credit quality vs when it was first recorded in the balance sheet or recognised as an off-balance sheet commitment).

Principle 2 – Rating indicator to monitor credit quality: the Group monitors the credit risk of each contract using a system for rating the credit quality of the counterparty. The rating of a contract at a given time is determined on the basis of the counterparty's rating at that time, such that, at a given time, all contracts with a same counterparty have the same rating.

In order to measure an increase in the credit risk, La Banque Postale uses a rating system derived from:

- the internal rating models used to manage and monitor risks; or
- external rating models used for routine risk management that include ranking guidelines.

La Banque Postale's risk monitoring systems collect ratings data at the inception of the contract and store these in a centralised database in order to identify any significant increase in credit risk, as well as the last known rating in order to comply with the first principle.

For portfolios that have an internal and/or external rating, assessment of a possible significant increase in credit risk is based on the rating, supplemented where appropriate by quantitative and/or qualitative analyses by the business line concerned.

If no internal or external rating is available for a given customer and the related exposure, other methods are used to assess whether there has been a significant increase in credit risk since inception (see Principle 6).

Principle 3 – Monitoring of credit quality with the addition of a backstop: to supplement the first principle, an absolute threshold criterion has been added. The approach defined by the Group combines a relative threshold and an absolute threshold.

The absolute threshold is based on two indicators:

- rating indicator: the absolute quality level beyond which there is considered to be a significant increase in the assets' credit risk is set by customer segment and/or type of asset;
- past due indicator: payments that are more than 30 days past due. In accordance with IFRS 9, payments more than 30 days past due are considered as an indicator of a significant increase in the credit risk as they point to a decline in credit quality.

Principle 4 – Use of a 12-month indicator for retail customers: assessment of a significant increase in credit risk implies assessing at each reporting date the probability of a default occurring over the remaining life of the asset. Rather than basing the assessment on the lifetime probability of default, IFRS 9 allows the use of a 12-month probability of default if this is a reasonable approximation of the lifetime probability.

Principle 5 – Application of the low credit risk exemption: IFRS 9 allows entities to assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the instrument is determined to have low credit risk at the reporting date. A financial instrument is considered to represent a low credit risk when there has been no significant increase in its credit risk since initial recognition. "Low credit risk" can be equivalent to a widely accepted definition such as "investment grade", which according to the CRR scale would correspond to a rating below or equal to 3. EBA guidelines stipulate that this exemption applies only to debt securities.

La Banque Postale does not use the low credit risk exemption for its credit transactions. However, it is used for debt securities at the time of validation of the bucket, in accordance with principle 6.

Principle 6 – Consideration of qualitative information: for the portfolio excluding retail customers, the presumption of a transfer to Bucket 2 requires a specific qualitative analysis to be carried out by the Watchlist Committee to confirm or reject the assessment that a significant increase in credit risk has occurred based on the rating indicator.

For corporate customers, many additional methods are used to identify any significant increase in credit risk both for rated and unrated customers.

For its Corporates network, La Banque Postale has set up a warning system that analyses the loanbook on a daily basis and alerts the Front Office and risk management teams concerned. This monitoring and warning/alert system, which may culminate in loans being placed on a Monitoring List or Watchlist, or being handed over to dedicated teams (Debt collection/Troubled Loans departments) is supplemented by information brought to the attention of La Banque Postale, either from the public domain or through exchanges with customers, or based on the findings of the annual commitments review process. All of these processes provide La Banque Postale with a robust monitoring system that addresses any significant increase in credit risk without delay, regardless of whether customers are rated or not.

An asset that has been restructured due to the financial difficulties of the counterparty continues to be regarded as in default for a period of 12 months, and then if no default event occurs it is moved back into Bucket 2 for a period of 24 months in accordance with prudential regulations.

Principle 7 – Transfer to Bucket 2 before default: in accordance with IFRS 9, wherever possible assets exposed to a significant increase in credit risk are identified before they default. Exceptionally, some commitments can be exempted from being moved to Bucket 2 before they are recorded in default.

4.2.2.2 Process for assessing a significant increase in credit risk

The operational procedures in place enable events indicating a possible deterioration in the credit quality of a counterparty to be monitored/detected.

The criteria for classification of a commitment in Bucket 2 are described by category of exposure:

- Retail customers – individuals;
- Retail customers – professionals;
- Central administrations & central banks;
- Credit institutions;
- Corporates;
- Public sector entities.

The criteria do not represent an exhaustive list and the relevance of information depends on the customer segment concerned (except for retail customers). Other events leading to a deterioration in credit quality or generating risk can be taken into consideration following an analysis carried out by the risk unit concerned.

These events are evaluated by the Group Risk Department's teams with good knowledge of the customers or groups of connected customers they are tasked with monitoring.

Taking the specific example of the Covid-19 pandemic and its impacts on the loanbook, it was decided that for certain categories of customer (retail customers), repayment holidays were an indicator of a significant increase in credit risk that could lead to reclassification to Bucket 2.

The operating entities are responsible for the exposures they have generated and must detect immediately any events that indicate a deterioration in the credit quality of their customers.

All assets that are not in Bucket 3 or Bucket 2 are classified in Bucket 1. These are assets that show no significant increase in credit risk since initial recognition.

Lastly, an asset classified to Bucket 2 following a significant increase in credit risk may be moved out of Bucket 2 if all the criteria that led this classification are no longer met and any arrears have been settled, or if it is relassified to Bucket 3. Depending on the circumstances, an observation period may be required for vulnerable debtors to prevent recurrence. Again, taking the example of the Covid-19 crisis, moving personal banking customers who had requested repayment holidays out of Bucket 2 was subject to a three-month observation period.

Moving restructured assets out of "default" status is subject to a regulatory probationary period.

4.2.3 Provisioning – the expected credit losses (ECL) approach

4.2.3.1 Expected credit losses

Expected credit losses (ECL) are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money and all available information. This methodology is described in Note 2 (Provisioning methods for Bucket 1 and Bucket 2).

12-month expected credit losses ($ECL_{12months}$)

At each reporting date, when there is no significant increase in the credit risk associated with a commitment since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit losses.

$ECL_{12months}$ represents the portion of the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date.

This formula applies to all commitments classified in Bucket 1.

Lifetime expected credit losses ($ECL_{lifetime}$)

At each reporting date, when there is a significant increase in credit risk associated with a commitment since initial recognition, the loss allowance is measured at an amount equal to the lifetime expected credit losses.

4.2.3.2 Definition of ECL calculation parametres

Expected credit losses are calculated using three main components: Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Maturity refers to the final payment date of a loan commitment or financial instrument on which the principal and interest must be settled in full or the date when the authorised amount or date expires.

It corresponds to the maximum contractual period including extension options, except in the case of revolving lines of credit, renewable credit card facilities and overdrafts for which a behaviour-based maturity is used.

For commitments without a contractual maturity, a 12-month maximum maturity is used as, in the case of insolvency of the debtor, the overdraft facility is cancelled within 12 months, in accordance with French banking law.

Revolving lines of credit are financial instruments that do not have a fixed maturity, repayment schedule or cancellation period. The maturity taken into account for these instruments depends on their lifetime estimated by the Bank, which can be greater than the duration of the contractual commitment. The maturity used at Group level is based on observed behaviours.

Probability of Default (PD): IFRS 9 introduces the notion of expected credit losses and, indirectly, that of the probability of default adjusted to the situation at the reporting date (PIT PD – Point-in-Time Probability of Default). This parameter does not correspond to the average over the cycle (TTC PD – Through-The-Cycle Probability of Default) applicable under the Basel framework for the internal ratings-based approach. This variable is used to estimate the probability that a commitment will go into default over a given period of time. A "point-in-time" (PIT) probability of default estimate is based on future and current assessments and depends on both the customer and the product.

PIT PD is used for all portfolios regardless of whether or not they have an internal rating.

Loss Given Default (LGD): loss given default corresponds to the ratio between contractual and expected cash flows taking into account the effects of discounting and other expenses incurred at the time that an instrument goes into default. LGD is expressed as a percentage of the exposure at default.

This input under IFRS 9 differs from the Basel definition. For Basel II purposes, loss given default is adjusted to include a prudential buffer and to reflect losses occurring during a downturn in the business cycle and other costs. IFRS 9 makes no specific mention of the observation period or the period covered by the historical data used for the calculation of LGD parameters. LGD is a forward looking indicator that takes into account the passage of time.

The Group has opted to use modelled LGDs adjusted in accordance with IFRS 9 for portfolios that have a loss given default model by type of product and guarantee, and to determine an LGD based on expert analyses for the other portfolios by segment, product and type of guarantee that will be revised at least once a year.

Exposure At Default (EAD): the EAD corresponds to the basis for calculating the expected credit loss. It is based on the value exposed to credit risk taking into account the type of repayment schedule, the passage of time and expected early repayments (projected cash flows). EAD is calculated based on the amount at the start of the reporting period.

The loss allowance is based on the outstanding amount recorded on balance sheet and off-balance sheet (undrawn portion) converted to its credit exposure equivalent using the credit conversion factor (CCF).

To take into account early repayments and the passage of time, an early repayment rate is applied to the basis used to calculate loss allowances by portfolio. This rate is reviewed periodically by the ALM team to take into account any economy-led change in early repayments.

Forward Looking

In accordance with IFRS 9, expected credit losses take into account the effects of future economic conditions through the use of forward-looking data models and informed judgement. The Group uses three scenarios (a central scenario and two alternative scenarios based around high and low interest rates) defined by the Economic Research Departments of Caisse des Dépôts et Consignations (CDC) and La Banque Postale. Five-year economic projections are used:

- Consistent global scenarios are applied across La Banque Postale with potentially opposite impacts on certain product or customer segments, to reflect the diversification of the portfolio. (By way of illustration, it is not possible, in a given scenario, to use a different interest rate projection to measure the lifetime probabilities of default of retail customers and those of sovereigns).
- The proposed scenarios are not necessarily adverse credit risk scenarios; the aim is not to use IFRS scenarios to quantify the risk of losses in a highly adverse environment that is very unlikely to occur in light of the prevailing macro-economic situation at the estimation date, but rather to develop generally plausible scenarios whose probability of occurrence is within one standard deviation of the occurrence of the central scenario.
- The scenarios used are the same as those used in other corporate processes (i.e., strategic planning, budgeting, ICAAP stress testing, regulatory reporting).

These scenarios are documented, and contain projections for all the macroeconomic variables required to run the models developed to obtain PDs and LGDs at maturity . The probability of occurrence of each scenario is documented by La Banque Postale's economists.

The system uses a significant number of models. All of the models used for IFRS 9 purposes are subject to an independent review by the Model Validation team and are validated by the Model Validation Committeee.

For 2020[1], La Banque Postale used the following scenarios to calculate its loss allowances under IFRS 9:

- Central scenario: scenario: gradual return of business to pre-crisis levels. This scenario is based on the conservative assumption of a gradual lifting of restrictions and a slow "normalisation" of activity. For the US and the eurozone, the steep falls in GDP experienced in 2020 should be replaced by a strong recovery in 2021, followed by a return to their respective potential growth trajectories from 2022. The outflow of savings during the recovery will be tempered by the high level of economic and social uncertainty that is still very likely to prevail in 2022. Moreover, the high levels of public and private sector debt will negatively affect corporate investment capacity.
  - This scenario has been developed by Caisse des Dépôts et Consignations and its projections are provided below:

	Scenario at 31 December 2020					
Variables	**T0**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**
French GDP (annual rate of growth)	-10.0	7.0	1.5	1.3	1.2	1.2
Unemployment rate (average annual rate)	10.2	10.5	10.1	9.6	9.3	9.0
10-year OAT (average annual rate)	0.0	0.1	0.3	0.5	0.7	0.8
CAC 40 (annual rate of growth)	-22.3	9.6	3.2	3.2	3.2	3.2
Real estate prices (annual rate of growth)	4.3	-5.0	2.0	1.8	1.7	1.7

	Previous scenario					
Variables	**T0**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**
French GDP (annual rate of growth)	1.3	1.4	1.4	1.3	1.3	1.3
Unemployment rate (average annual rate)	8.3	8.3	8.2	8.1	8.0	8.0
10-year OAT (average annual rate)	0.4	0.6	0.9	1.2	1.6	N/A
CAC 40 (annual rate of growth)	10.3	3.7	3.7	3.7	3.7	3.7
Real estate prices (annual rate of growth)	3.1	2.5	2.0	1.5	1.5	1.5

- Low interest rate scenario: recessionary shock to GDP (health, financial or economic crisis), with a fall in stock markets and interest rates in the year of the shock followed by stalemate (stagnation, lack of counter-cyclical headroom leading to a downward adjustment of growth forecasts). These economic shocks drive interest rates even lower than in the central scenario, leading to a sharp decline in stock market indices and even lower long-term economic forecasts.
  - This scenario has been developed by Caisse des Dépôts et Consignations and its projections are provided below:

	Scenario at 31 December 2020					
Variables	**T0**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**
French GDP (annual rate of growth)	-10.0	-0.5	0.0	0.6	0.6	0.6
Unemployment rate (average annual rate)	10.2	10.9	11.3	11.5	11.6	11.6
10-year OAT (average annual rate)	0.0	-0.9	-0.7	-0.2	0.0	0.0
CAC 40 (annual rate of growth)	-22.3	-11.3	4.7	4.7	4.7	4.7
Real estate prices (annual rate of growth)	4.3	-5.5	-3.0	-1.5	0.0	0.0

	Previous scenario					
Variables	**T0**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**
French GDP (annual rate of growth)	1.3	0.8	1.0	1.0	N/A	N/A
Unemployment rate (average annual rate)	8.3	8.8	9.0	9.2	N/A	N/A
10-year OAT (average annual rate)	0.4	-0.2	-0.2	0.0	N/A	N/A
CAC 40 (annual rate of growth)	10.3	N/A	N/A	N/A	N/A	N/A
Real estate prices (annual rate of growth)	3.1	N/A	N/A	N/A	N/A	N/A

(1) Scenarios used since November 2020 to calculate loss allowances for the entire bank portfolio, that will not be adjusted until end-2021 unless there is a serious mismatch between these scenarios and the actual macro-economic situation observed in first-half 2021.

– Alternative scenario of a gradual rise in interest rates: faster-than expected recovery of economic activity as the health crisis eases. The health crisis dissipates rapidly and the accompanying restrictions are lifted. Consequently, the monetary and fiscal stimulus measures deployed in recent months in many countries begin to kick in. Economy activity returns to pre-crisis levels more rapidly than under the central scenario and the recovery lasts longer. Nevertheless, this positive scenario only gets economic activity back to pre-crisis levels in 2023. Monetary policies remain fairly loose but begin to normalise a little faster than under the central scenario. This scenario has been developed by La Banque Postale's Economic Research Department and its projections are provided below:

	Scenario at 31 December 2020					
Variables	**T0**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**
French GDP (annual rate of growth)	-10.0	9.0	3.5	2.0	1.8	1.4
Unemployment rate (average annual rate)	10.2	9.6	8.3	7.3	6.9	6.5
10-year OAT (average annual rate)	0.0	0.7	1.3	1.6	1.6	1.6
CAC 40 (annual rate of growth)	-22.3	N/A	N/A	N/A	N/A	N/A
Real estate prices (annual rate of growth)	4.3	N/A	N/A	N/A	N/A	N/A

	Previous scenario					
Variables	**T0**	**Y+1**	**Y+2**	**Y+3**	**Y+4**	**Y+5**
French GDP (annual rate of growth)	1.3	1.5	2.2	1.9	1.8	N/A
Unemployment rate (average annual rate)	8.3	8.2	7.6	7.0	6.5	N/A
10-year OAT (average annual rate)	0.4	0.7	1.6	1.9	2.3	N/A
CAC 40 (annual rate of growth)	10.3	N/A	N/A	N/A	N/A	N/A
Real estate prices (annual rate of growth)	3.1	N/A	N/A	N/A	N/A	N/A

The probability of each of these scenarios occurring is shown in the following table:

Scenarios	**Scenarios 2020**	**Scenarios at 31 December 2021**
Central	50%	65%
Lower interest rates	45%	15%
Higher interest rates	5%	20%

La Banque Postale decided not to use the scenarios developed by the ECB for all of the reasons outlined previously and to reflect the fact that its portfolio is concentrated in France.

4.2.4 Operational deployment

Loss allowances are calculated centrally for the entire Group by the Group Risks Department teams.

4.3 Exposure to credit risk

Change in carrying amounts and allowances for credit losses over the year

Allowances for credit losses correspond to impairment of financial assets and off-balance commitments recorded in the income statement under “Cost of risk”.

The different stages of impairment ("Performing – Bucket 1", "Deteriorated credit quality – Bucket 2" and "Credit impaired – Bucket 3") and the definition of impaired assets from acquisition or issuance are described in Note 4.2.2 "Significant increase in credit risk".

The following tables present a reconciliation of opening and closing loss allowances recorded in “Cost of risk” and the associated carrying amounts, by accounting category and type of instrument.

The line “Modification of cash flows not resulting in derecognition" shows the effect of a loan restructuring on the gross carrying amount and the loss allowance during the period.

Financial assets at amortised cost

(in € millions)	Notes	31 Dec. 2020 Gross carrying amount	31 Dec. 2020 Allowance for credit losses	31 Dec. 2020 Net carrying amount
Securities at amortised cost	5.5	24,049	(30)	24,018
Loans and advances to credit institutions at amortised cost	5.6	114,486	(1)	114,484
Loans and advances to customers at amortised cost	5.7	126,471	(1,216)	125,255
TOTAL FINANCIAL ASSETS AT AMORTISED COST		**265,006**	**(1,248)**	**263,758**

(in € millions)	Notes	31 Dec. 2019 Gross carrying amount	31 Dec. 2019 Allowance for credit losses	31 Dec. 2019 Net carrying amount
Securities at amortised cost	5.5	28,074	(6)	28,068
Loans and advances to credit institutions at amortised cost	5.6	70,636	(1)	70,635
Loans and advances to customers at amortised cost	5.7	114,450	(822)	113,628
TOTAL FINANCIAL ASSETS AT AMORTISED COST		**213,160**	**(829)**	**212,331**

(in € millions)	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Credit-impaired assets (Bucket 3)		Total		
	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount (a)	Allowance for credit losses (b)	Net carrying amount (a)+(b)
AT 31 DECEMBER 2019	**208,681**	**(100)**	**3,106**	**(150)**	**1,374**	**(580)**	**213,160**	**(829)**	**212,331**
Transfers of assets during their lifetime from one bucket to another	**(5,906)**	**9**	**5,479**	**(181)**	**427**	**(65)**	**-**	**(237)**	**(237)**
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	(6,808)	14	6,808	(232)			-	(217)	(217)
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	1,217	(6)	(1,217)	43			-	36	36
Transfers from 12-month ECL (Bucket 1) to Credit-impaired Lifetime ECL (Bucket 3)	(480)	2			480	(79)	-	(77)	(77)
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)			(222)	13	222	(53)	-	(40)	(40)
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	165	(2)			(165)	30	-	28	28
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)			111	(5)	(111)	37	-	32	32
TOTAL AFTER TRANSFERS	**202,774**	**(91)**	**8,585**	**(331)**	**1,801**	**(645)**	**213,160**	**(1,067)**	**212,093**
Changes in gross carrying amounts and allowances for credit losses	**49,732**	**(82)**	**2,289**	**(117)**	**(175)**	**19**	**51,845**	**(181)**	**51,664**
New production, purchase, issuance, origination, etc.	95,861	(113)	3,598	(177)	436	(172)	99,895	(462)	99,433
Derecognition: disposal, repayment, maturity, etc.	(50,542)	32	(1,319)	60	(466)	83	(52,328)	175	(52,153)
Write-offs					(133)	106	(133)	106	(27)
Modification of cash flows not resulting in derecognition	-	-	-	-	(12)	-	(12)	-	(12)
Change in credit risk parameters over the year							-	-	-
Changes in model/methodology	-	-	-	-	-	-	-	-	-
Changes in scope of consolidation	4,217	0	10	-	-	-	4,227	0	4,227
Other	196	(1)	-	0	-	1	196	0	196
TOTAL	**252,506**	**(173)**	**10,874**	**(448)**	**1,626**	**(626)**	**265,006**	**(1,248)**	**263,758**
Impacts of changes in fair value of hedged instruments	0						0		0
AT 31 DECEMBER 2020	**252,506**	**(173)**	**10,874**	**(448)**	**1,626**	**(626)**	**265,006**	**(1,248)**	**263,758**

(in € millions)	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Credit-impaired assets (Bucket 3)		Total		
	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount (a)	Allowance for credit losses (b)	Net carrying amount (a)+(b)
AT 31 DECEMBER 2018	**203,581**	**(84)**	**2,413**	**(117)**	**1,444**	**(567)**	**207,438**	**(768)**	**206,670**
Transfers of assets during their lifetime from one bucket to another	**(517)**	**2**	**293**	**10**	**225**	**(75)**	**-**	**(63)**	**(63)**
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	(1,639)	5	1,639	(48)			-	(43)	(43)
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	1,290	(3)	(1,290)	48			-	44	44
Transfers from 12-month ECL (Bucket 1) to Credit-impaired Lifetime ECL (Bucket 3)	(328)	1			328	(72)	-	(70)	(70)
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)			(180)	14	180	(51)	-	(37)	(37)
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	160	0			(160)	22	-	21	21
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)			123	(4)	(123)	25	-	21	21
TOTAL AFTER TRANSFERS	**203,064**	**(81)**	**2,706**	**(107)**	**1,668**	**(642)**	**207,438**	**(831)**	**206,607**
Changes in gross carrying amounts and allowances for credit losses	**5,616**	**(18)**	**400**	**(42)**	**(294)**	**62**	**5,722**	**2**	**5,724**
New production, purchase, issuance, origination, etc.	41,820	(130)	938	(83)	341	(144)	43,098	(357)	
Derecognition: disposal, repayment, maturity, etc.	(36,205)	112	(538)	40	(509)	116	(37,251)	269	
Write-offs					(116)	90	(116)	90	
Modification of cash flows not resulting in derecognition	-	-	-	-	(10)	-	(10)	-	
Change in credit risk parameters over the year									
Changes in model/methodology	-	-	-	-	-	-	-	-	
Changes in scope of consolidation	-	-	-	-	-	-	-	-	
Other	1	0	-	-	(1)	0	1	0	
TOTAL	**208,680**	**(100)**	**3,106**	**(150)**	**1,374**	**(580)**	**213,160**	**(829)**	**212,330**
Impacts of changes in fair value of hedged instruments	1						1		1
AT 31 DECEMBER 2019	**208,681**	**(100)**	**3,106**	**(150)**	**1,374**	**(580)**	**213,160**	**(829)**	**212,331**

Financial assets at fair value through OCI reclassifiable to profit or loss

(in € millions)	Notes	31 Dec. 2020 Fair value	31 Dec. 2020 Of which allowance for credit losses
Debt instruments at fair value through other comprehensive income	5.4	230,388	(372)
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RECLASSIFIABLE TO PROFIT OR LOSS		**230,388**	**(372)**

(in € millions)	Notes	31 Dec. 2019 Fair value	31 Dec. 2019 Of which allowance for credit losses
Debt instruments at fair value through other comprehensive income	5.4	14,700	(4)
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME RECLASSIFIABLE TO PROFIT OR LOSS		**14,700**	**(4)**

(in € millions)	Assets subject to 12-month ECL (Bucket 1) Fair value	Assets subject to 12-month ECL (Bucket 1) Of which allowance for credit losses	Assets subject to lifetime ECL (Bucket 2) Fair value	Assets subject to lifetime ECL (Bucket 2) Of which allowance for credit losses	Credit-impaired assets (Bucket 3) Fair value	Credit-impaired assets (Bucket 3) Of which allowance for credit losses	Total Fair value	Total Of which allowance for credit losses
AT 31 DECEMBER 2019	**14,663**	**(3)**	**38**	**(1)**	**-**	**-**	**14,700**	**(4)**
Transfers of assets during their lifetime from one bucket to another	**(509)**	**1**	**501**	**(9)**	**-**	**-**	**(8)**	**(8)**
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	(509)	1	501	(9)			(8)	(8)
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	0	0	-	-			0	0
Transfers from 12-month ECL (Bucket 1) to Credit-impaired Lifetime ECL (Bucket 3)	-	-			-	-	-	-
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)			-	-	-	-	-	-
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	-	-			-	-	-	-
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)			-	-	-	-	-	-
TOTAL AFTER TRANSFERS	**14,154**	**(2)**	**539**	**(9)**	**-**	**-**	**14,693**	**(12)**
Changes in gross carrying amounts and allowances for credit losses	**215,578**	**(359)**	**117**	**(2)**	**-**	**-**	**215,695**	**(361)**
New production, purchase, issuance, origination, etc.	30,505	-	73	-	-	-		-
Derecognition: disposal, repayment, maturity, etc.	(35,483)	-	(179)	-	-	-		-
Write-offs					-	-		-
Modification of cash flows not resulting in derecognition	-	-	-	-	-	-		-
Changes in model/methodology	-	-	-	-	-	-		-
Changes in scope of consolidation	218,213	(37)	186	-	-	-		(37)
Other	2,342	(322)	37	(2)	-	-		(324)
AT 31 DECEMBER 2020	**229,732**	**(361)**	**656**	**(11)**	**-**	**-**	**230,388**	**(372)**

(in € millions)	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Credit-impaired (Bucket 3)		Total	
	Fair value	Of which allowance for credit losses	Fair value	Of which allowance for credit losses	Fair value	Of which allowance for credit losses	Fair value	Of which allowance for credit losses
AT 31 DECEMBER 2018	**15,708**	**(3)**	**0**	**0**	**-**	**-**	**15,708**	**(4)**
Transfers of assets during their lifetime from one bucket to another	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	-	-	-	-				-
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	-	-	-	-				-
Transfers from 12-month ECL (Bucket 1) to Credit-Impaired Lifetime ECL (Bucket 3)	-	-			-	-		-
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)			-	-	-	-		-
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	-	-			-	-		-
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)			-	-	-	-		-
TOTAL AFTER TRANSFERS	**15,708**	**(3)**	**0**	**0**	**-**	**-**	**15,708**	**(4)**
Changes in gross carrying amounts and allowances for credit losses	**(1,045)**	**0**	**38**	**(1)**	**-**	**-**	**(1,008)**	**(1)**
New production, purchase, issuance, origination, etc.	4,747	-	37	-	-	-		-
Derecognition: disposal, repayment, maturity, etc.	(6,179)	-	0	-	-	-		-
Write-offs					-	-		-
Modification of cash flows not resulting in derecognition	-	-	-	-	-	-		-
Changes in model/methodology	-	-	-	-	-	-		-
Changes in scope of consolidation	-	-	-	-	-	-		-
Other	386	0	0	(1)	-	-		(1)
AT 31 DECEMBER 2019	**14,663**	**(3)**	**38**	**(1)**	**-**	**-**	**14,700**	**(4)**

Off-balance sheet (financing commitments and guarantee contracts)

(in € millions)	Notes	31 Dec. 2020 Gross carrying amount	Allowance for credit losses	Net carrying amount
Financing commitments and guarantee contracts	9	28,521		
Loss allowance for financing commitments and guarantee contracts	5.19		99	
TOTAL FINANCING COMMITMENTS AND GUARANTEE CONTRACTS		**28,521**	**99**	**28,422**

(in € millions)	Notes	31 Dec. 2019 Gross carrying amount	Allowance for credit losses	Net carrying amount
Financing commitments and guarantee contracts	9	29,051		
Loss allowance for financing commitments and guarantee contracts	5.19		40	
TOTAL FINANCING COMMITMENTS AND GUARANTEE CONTRACTS		**29,051**	**40**	**29,010**

(in € millions)	Assets subject to 12-month ECL (Bucket 1) Gross carrying amount	Assets subject to 12-month ECL (Bucket 1) Allowance for credit losses	Assets subject to lifetime ECL (Bucket 2) Gross carrying amount	Assets subject to lifetime ECL (Bucket 2) Allowance for credit losses	Credit-impaired (Bucket 3) Gross carrying amount	Credit-impaired (Bucket 3) Allowance for credit losses	Total Gross carrying amount (a)	Total Allowance for credit losses (b)	Total Net carrying amount (a) - (b)
AT 31 DECEMBER 2019	**28,545**	**25**	**475**	**14**	**30**	**1**	**29,051**	**40**	**29,010**
Transfers of assets during their lifetime from one bucket to another	**(406)**	**0**	**396**	**10**	**10**	**2**	**-**	**11**	**(11)**
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	(490)	(1)	490	13			-	12	(12)
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	93	1	(93)	(4)			-	(3)	3
Transfers from 12-month ECL (Bucket 1) to Credit-impaired Lifetime ECL (Bucket 3)	(17)	0			17	2	-	2	(2)
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)			(4)	0	4	0	-	0	0
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	9	0			(9)	0	-	0	0
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)			2	0	(2)	0	-	0	0
TOTAL AFTER TRANSFERS	**28,139**	**25**	**871**	**24**	**40**	**3**	**29,051**	**51**	**28,999**
Changes in gross carrying amounts and allowances for credit losses	**(782)**	**21**	**257**	**26**	**(6)**	**1**	**(530)**	**48**	**(578)**
New production, purchase, issuance, origination, etc.	9,715	31	582	31	14	1	10,311	63	
Derecognition: disposal, repayment, maturity, etc.	(10,497)	(10)	(324)	(5)	(19)	0	(10,841)	(15)	
Write-offs					-	-	-	-	
Modification of cash flows not resulting in derecognition	-	-	-	-	-	-	-	-	
Changes in model/methodology	-	-	-	-	-	-	-	-	
Changes in scope of consolidation	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	
AT 31 DECEMBER 2020	**27,358**	**46**	**1,129**	**50**	**35**	**3**	**28,521**	**99**	**28,422**

(in € millions)	Assets subject to 12-month ECL (Bucket 1)		Assets subject to lifetime ECL (Bucket 2)		Credit-impaired (Bucket 3)		Total		
	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount	Allowance for credit losses	Gross carrying amount (a)	Allowance for credit losses (b)	Net carrying amount (a) - (b)
AT 31 DECEMBER 2018	**26,842**	**24**	**257**	**9**	**29**	**14**	**27,128**	**47**	**27,081**
Transfers of assets during their lifetime from one bucket to another	**(177)**	**0**	**167**	**0**	**9**	**(3)**	**-**	**(4)**	**4**
Transfers from 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	(277)	(1)	277	1			0	0	0
Transfers back from Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	109	1	(109)	(1)			-	0	0
Transfers from 12-month ECL (Bucket 1) to Credit-impaired Lifetime ECL (Bucket 3)	(17)	0			17	0	-	0	0
Transfers from Lifetime ECL (Bucket 2) to Credit-impaired Lifetime ECL (Bucket 3)			(3)	0	3	0	-	0	0
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	9	0			(9)	(4)	0	(4)	4
Transfers back from Credit-impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)			2	0	(2)	0	0	0	0
TOTAL AFTER TRANSFERS	**26,666**	**23**	**424**	**9**	**38**	**11**	**27,128**	**43**	**27,085**
Changes in gross carrying amounts and allowances for credit losses	**1,879**	**2**	**51**	**5**	**(8)**	**(10)**	**1,923**	**(3)**	**1,925**
New production, purchase, issuance, origination, etc.	11,802	34	182	8	14	6	11,998	49	
Derecognition: disposal, repayment, maturity, etc.	(9,923)	(33)	(131)	(4)	(22)	(16)	(10,075)	(52)	
Write-offs					-	-	-	-	
Modification of cash flows not resulting in derecognition	-	-	-	-	-	-	-	-	
Changes in model/methodology	-	-	-	-	-	-	-	-	
Changes in scope of consolidation	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	
AT 31 DECEMBER 2019	**28,545**	**25**	**475**	**14**	**30**	**1**	**29,051**	**40**	**29,010**

b. Modified financial assets

Modified financial assets correspond to assets that have been restructured due to the customer's financial difficulties. They are loans for which the initial financial conditions have been modified (interest rate, term) for financial or legal reasons related to the borrower's financial difficulties, and which would not have been modified in other circumstances. They concern assets classified as non-performing and, since 1 January 2014, assets that were classified as performing at the time of the restructuring. A more detailed definition of modified financial assets is provided in Note 2 "Summary of significant accounting policies". An asset continues to be classified as modified from the restructuring event and until derecognition.

The post-restructuring carrying amounts of assets restructured during the reporting period are as follows:

(in € millions)	31 Dec. 2020		
Financial instruments	**Carrying amount before transfer to modified financial assets**	**Amount of the discount recorded in the income statement**	**Gross carrying amount**
Loans and advances to customers	135	(12)	123
Debt securities	-	-	-
TOTAL MODIFIED FINANCIAL ASSETS	**135**	**(12)**	**123**

(in € millions)	31 Dec. 2019		
Financial instruments	**Carrying amount before transfer to modified financial assets**	**Amount of the discount recorded in the income statement**	**Gross carrying amount**
Loans and advances to customers	114	(10)	104
Debt securities	-	-	-
TOTAL MODIFIED FINANCIAL ASSETS	**114**	**(10)**	**104**

Restructured assets at an impairment stage that corresponds to Bucket 2 (deteriorated credit quality) or Bucket 3 (credit-impaired) can be transferred back into Bucket 1 (performing assets) following a subsequent improvement in credit quality resulting in the assessment that there is no longer a significant deterioration in credit quality. In this case, the loss allowance is reduced to an amount equal to the 12-month expected credit loss.

The gross carrying amount of modified assets reclassified during the period is presented below:

(in € millions)	31 Dec. 2020
Financial instruments	**Transfer to Bucket 1**
Loans and advances to customers	7
Debt securities	-
TOTAL MODIFIED FINANCIAL ASSETS	**7**

(in € millions)	31 Dec. 2019
Financial instruments	**Transfer to Bucket 1**
Loans and advances to customers	17
Debt securities	-
TOTAL MODIFIED FINANCIAL ASSETS	**17**

Maximum exposure to credit risk

(in € millions)	31 Dec. 2020		
	Net maximum exposure to credit risk	Collateral and other credit enhancements	Unsecured
Financial assets at fair value through profit or loss (excluding equity instruments and assets backing unit-linked contracts)	**100,362**	**7,068**	**93,293**
Financial assets held for trading	7,815	7,068	747
Financial assets designated as at fair value through profit or loss	6,012	-	6,012
Non-SPPI financial assets at fair value	86,535	-	86,535
Hedging derivatives	**1,443**	**1,443**	**-**
Financial assets at fair value through OCI reclassifiable to profit or loss	**230,388**	**153**	**230,234**
Debt securities	230,388	153	230,234
Financial assets at amortised cost	**263,758**	**87,364**	**176,394**
Loans and advances to credit institutions	114,484	2,804	111,681
Loans and advances to customers	125,255	84,560	40,695
Debt securities	24,018	-	24,018
Off-balance sheet (financing commitments and guarantee contracts)	**28,521**	**1,227**	**27,294**
Financing commitments given	25,891	1,227	24,664
Guarantee commitments given	2,630	0	2,630
MAXIMUM EXPOSURE TO CREDIT RISK	**624,471**	**97,255**	**527,216**

c. Concentrations of credit risk

Concentration of credit risk by economic agent

Financial assets at amortised cost

	31 Dec. 2020			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
Retail customers[1]	65,569	6,597	1,165	73,331
Government	100,157	42	2	100,201
Central banks	41,500	-	-	41,500
Credit institutions	5,609	50	0	5,659
Finance companies	14,672	158	15	14,845
Non-financial sector companies	25,000	4,027	444	29,470
Impairments	(173)	(448)	(626)	(1,248)
TOTAL CARRYING AMOUNT	**252,333**	**10,426**	**999**	**263,758**

(1) Excluding loans granted to non-trading property companies (SCIs), which are presented in Retail loans in the balance sheet and in Non-financial sector companies in the breakdown by economic agent.

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
Retail customers[1]	68,806	2,216	1,145	72,167
Government	101,260	1	1	101,262
Central banks	0	-	-	0
Credit institutions	4,506	-	-	4,506
Finance companies	8,289	18	0	8,306
Non-financial sector companies	25,820	871	228	26,919
Impairments	(100)	(150)	(580)	(829)
TOTAL CARRYING AMOUNT	**208,581**	**2,956**	**794**	**212,331**

(1) Excluding loans granted to non-trading property companies (SCIs), which are presented in Retail loans in the balance sheet and in Non-financial sector companies in the breakdown by economic agent.

Financial assets at fair value through OCI reclassifiable to profit or loss

	31 Dec. 2020			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
Retail customers	-	-	-	-
Government	128,139	42	-	128,181
Central banks	2,612	-	-	2,612
Credit institutions	46,018	45	-	46,063
Finance companies	6,017	-	-	6,017
Non-financial sector companies	46,946	569	-	47,515
TOTAL FAIR VALUE	**229,732**	**656**	**-**	**230,388**
Of which impairments	*(361)*	*(11)*	-	*(372)*

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
Retail customers	-	-	-	-
Government	4,415	-	-	4,415
Central banks	-	-	-	-
Credit institutions	8,956	10	-	8,966
Finance companies	179	-	-	179
Non-financial sector companies	1,113	28	-	1,141
TOTAL FAIR VALUE	**14,663**	**38**	**-**	**14,700**
Of which impairments	*(3)*	*(1)*	-	*(4)*

Off-balance sheet (financing commitments and guarantee contracts)

	31 Dec. 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
Retail customers	10,433	423	28	10,883
Government	5,583	4	-	5,587
Central banks	0	-	-	0
Credit institutions	2,794	24	-	2,818
Finance companies	1,694	8	-	1,702
Non-financial sector companies	6,854	670	7	7,530
Loss allowances*	46	50	3	99
TOTAL	**27,312**	**1,078**	**31**	**28,422**

* Expected or incurred losses on off-balance sheet commitments are covered by loss allowances recorded in liabilities.

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
Retail customers	10,919	196	26	11,141
Government	5,522	-	-	5,522
Central banks	-	-	-	-
Credit institutions	1,621	100	-	1,721
Finance companies	2,312	-	-	2,312
Non-financial sector companies	8,171	180	4	8,354
Loss allowances*	25	14	1	40
TOTAL	**28,520**	**462**	**29**	**29,010**

* Expected or incurred losses on off-balance sheet commitments are covered by loss allowances recorded in liabilities.

Exposure to credit risk – Retail

Financial assets at amortised cost

	31 Dec. 2020			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
PD < 1%	52,212	3,265	-	55,478
1% < PD < 3%	10,355	1,090	-	11,445
3% < PD < 10%	2,574	636	-	3,209
PD > 10%	428	1,606	-	2,034
Doubtful loans (subject to legal collection procedures)	-	-	1,165	1,165
TOTAL	**65,569**	**6,597**	**1,165**	**73,331**

	31 Dec. 2019			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
PD < 1%	57,456	15	-	57,471
1% < PD < 3%	8,081	169	-	8,250
3% < PD < 10%	3,246	735	-	3,982
PD > 10%	22	1,296	-	1,318
Doubtful loans (subject to legal collection procedures)	-	-	1,145	1,145
TOTAL	**68,806**	**2,216**	**1,145**	**72,167**

Off-balance sheet (financing commitments and guarantee contracts)

	31 Dec. 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
PD < 1%	7,959	186	-	8,146
1% < PD < 3%	2,002	76	-	2,078
3% < PD < 10%	358	41	-	399
PD > 10%	114	120	-	234
Doubtful loans (subject to legal collection procedures)	-	-	28	28
TOTAL	**10,433**	**423**	**28**	**10,883**

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
PD < 1%	9,691	7	-	9,698
1% < PD < 3%	957	46	-	1,003
3% < PD < 10%	269	38	-	307
PD > 10%	1	105	-	106
Doubtful loans (subject to legal collection procedures)	-	-	26	26
TOTAL	**10,919**	**196**	**26**	**11,141**

Exposure to credit risk – Corporate

Financial assets at amortised cost

	31 Dec. 2020			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	1,411	136	0	1,547
AA	5,152	322	48	5,523
A	12,856	352	15	13,223
Other	20,253	3,375	396	24,023
TOTAL	**39,671**	**4,185**	**459**	**44,315**

	31 Dec. 2019			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	1,569	2	3	1,574
AA	9,978	54	34	10,067
A	3,393	6	0	3,399
Other	19,168	828	190	20,186
TOTAL	**34,108**	**889**	**228**	**35,225**

Financial assets at fair value through OCI reclassifiable to profit or loss

	31 Dec. 2020			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	2,464	-	-	2,464
AA	9,183	-	-	9,183
A	19,554	0	-	19,554
Other	21,763	569	-	22,332
TOTAL	**52,963**	**569**	**-**	**53,532**

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	-	-	-	-
AA	268	-	-	268
A	290	-	-	290
Other	734	28	-	762
TOTAL	**1,291**	**28**	**-**	**1,319**

Off-balance sheet (financing commitments and guarantee contracts)

	31 Dec. 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
AAA	469	80	-	549
AA	1,213	89	-	1,302
A	1,814	56	0	1,870
Other	5,052	453	7	5,512
TOTAL	**8,548**	**678**	**7**	**9,233**

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
AAA	725	-	-	725
AA	2,469	1	-	2,470
A	2,265	5	-	2,269
Other	5,024	174	4	5,202
TOTAL	**10,483**	**180**	**4**	**10,667**

Exposure to credit risk – Government and central banks

Financial assets at amortised cost

	31 Dec. 2020			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	2,271	-	-	2,271
AA	127,308	4	-	127,312
A	4,882	4	1	4,887
Other	7,195	34	1	7,231
TOTAL	**141,657**	**42**	**2**	**141,701**

	31 Dec. 2019			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assests subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	2,886	-	-	2,886
AA	88,158	-	-	88,158
A	2,825	1	1	2,827
Other	7,391	1	0	7,392
TOTAL	**101,261**	**1**	**1**	**101,262**

Financial assets at fair value through OCI reclassifiable to profit or loss

	31 Dec. 2020			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	5,159	-	-	5,159
AA	102,296	-	-	102,296
A	4,161	-	-	4,161
Other	19,135	42	-	19,176
TOTAL	**130,751**	**42**	**-**	**130,793**

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	805	-	-	805
AA	2,836	-	-	2,836
A	404	-	-	404
Other	370	-	-	370
TOTAL	**4,415**	**-**	**-**	**4,415**

Off-balance sheet (financing commitments and guarantee contracts)

	31 Dec. 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
AAA	120	-	-	120
AA	854	3	-	856
A	2,123	1	-	2,124
Other	2,487	0	-	2,487
TOTAL	**5,583**	**4**	**-**	**5,587**

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
AAA	-	-	-	-
AA	1,147	-	-	1,147
A	3,256	-	-	3,256
Other	1,119	-	-	1,119
TOTAL	**5,522**	**-**	**-**	**5,522**

Exposure to credit risk – Credit institutions

Financial assets at amortised cost

	31 Dec. 2020			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	-	-	-	-
AA	954	-	-	954
A	1,852	-	-	1,852
Other	2,803	50	0	2,853
TOTAL	**5,609**	**50**	**0**	**5,659**

	31 Dec. 2019			
	Gross carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	1	-	-	1
AA	2,177	-	-	2,177
A	1,828	-	-	1,828
Other	500	-	-	500
TOTAL	**4,506**	**-**	**-**	**4,506**

Financial assets at fair value through OCI reclassifiable to profit or loss

	31 Dec. 2020			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	8,723	-	-	8,723
AA	10,272	-	-	10,272
A	20,677	25	-	20,702
Other	6,345	20	-	6,365
TOTAL	**46,018**	**45**	**-**	**46,063**

	31 Dec. 20219			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
AAA	50	-	-	50
AA	756	-	-	756
A	5,138	-	-	5,138
Other	3,011	10	-	3,021
TOTAL	**8,956**	**10**	**-**	**8,966**

Off-balance sheet (financing commitments and guarantee contracts)

	31 Dec. 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
AAA	85	9	-	94
AA	1,645	-	-	1,645
A	844	-	-	844
Other	219	15	-	235
TOTAL	**2,794**	**24**	**-**	**2,818**

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	Total
AAA	-	-	-	-
AA	1,121	-	-	1,121
A	500	-	-	500
Other	-	100	-	100
TOTAL	**1,621**	**100**	**-**	**1,721**

Concentration of credit risk by geographical region

Financial assets at amortised cost

	31 Dec. 2020			
	Carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
France (incl. overseas departments and territories)	239,830	10,346	1,513	251,688
Other EU countries	12,248	288	76	12,611
Other European countries	51	36	1	88
Other	377	204	36	618
Loss allowances	(173)	(448)	(626)	(1,248)
TOTAL	**252,333**	**10,426**	**999**	**263,758**

	31 Dec. 2019			
	Carrying amount			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
France (incl. overseas departments and territories)	194,520	3,102	1,340	198,963
Other EU countries	13,644	3	19	13,667
Other European countries	78	0	1	79
Other	438	0	13	452
Loss allowances	(100)	(150)	(580)	(829)
TOTAL	**208,581**	**2,956**	**794**	**212,331**

Financial assets at fair value through OCI reclassifiable to profit or loss

	31 Dec. 2020			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
France (incl. overseas departments and territories)	121,038	60	-	121,098
Other EU countries	67,693	308	-	68,001
Other European countries	8,469	125	-	8,595
Other	32,532	163	-	32,695
TOTAL	**229,732**	**656**	**-**	**230,388**
Of which loss allowances	*(361)*	*(11)*	-	*(372)*

	31 Dec. 2019			
	Fair value			
	Performing assets (with or without credit deterioration)			
(in € millions)	Assets subject to 12-month ECL (Bucket 1)	Assets subject to lifetime ECL (Bucket 2)	Credit-impaired assets (Bucket 3)	Total
France (incl. overseas departments and territories)	5,065	19	-	5,085
Other EU countries	6,090	18	-	6,108
Other European countries	367	-	-	367
Other	3,140	-	-	3,140
TOTAL	**14,663**	**38**	**-**	**14,700**
Of which loss allowances	*(3)*	*(1)*	-	*(4)*

Off-balance sheet (financing commitments and guarantee contracts)

	31 Dec. 2020			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	TOTAL
France (incl. overseas departments and territories)	26,912	1,120	34	28,066
Other EU countries	425	8	0	433
Other European countries	8	0	0	8
Other	13	1	0	14
Loss allowances*	46	50	3	99
TOTAL	**27,312**	**1,078**	**31**	**28,422**

* Expected or incurred losses on off-balance sheet commitments are covered by loss allowances recorded in liabilities.

	31 Dec. 2019			
	Commitment amount			
	Performing commitments (with or without credit deterioration)			
(in € millions)	Commitments subject to 12-month ECL (Bucket 1)	Commitments subject to lifetime ECL (Bucket 2)	Credit-impaired commitments (Bucket 3)	TOTAL
France (incl. overseas departments and territories)	28,020	475	30	28,526
Other EU countries	510	0	-	511
Other European countries	2	0	-	2
Other	12	0	-	12
Loss allowances*	25	14	1	40
TOTAL	**28,520**	**462**	**29**	**29,010**

* Expected or incurred losses on off-balance sheet commitments are covered by loss allowances recorded in liabilities.

4.4 Market risk

Derivatives transactions: analysis by remaining life

The breakdown of the market value of derivatives by remaining life is presented below.

Hedging derivatives

	31 Dec. 2020							
	Less than 1 year	1 to 5 years	Beyond 5 years	Total	Less than 1 year	1 to 5 years	Beyond 5 years	Total
(in € millions)				Assets				Liabilities
Interest rate instruments	**11**	**766**	**665**	**1,443**	**11**	**327**	**346**	**684**
► Interest rate swaps	11	766	665	1,443	11	327	346	684
► Interest rate options, caps, floors, collars	-	0	0	0	-	-	-	-
Forex instruments	**-**	**-**	**-**	**-**	**7**	**-**	**72**	**79**
► Currency futures	-	-	-	-	7	-	72	79
Credit instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FAIR VALUE OF HEDGING DERIVATIVES	**11**	**766**	**665**	**1,443**	**18**	**327**	**418**	**763**

	31 Dec. 2019							
	Less than 1 year	1 to 5 years	Beyond 5 years	Total	Less than 1 year	1 to 5 years	Beyond 5 years	Total
(in € millions)				Assets				Liabilities
Interest rate instruments	**44**	**895**	**549**	**1,488**	**5**	**197**	**379**	**582**
► Interest rate swaps	44	895	549	1,488	5	197	379	582
► Interest rate options, caps, floors, collars	-	0	0	0	-	-	-	-
Forex instruments	**-**	**-**	**-**	**-**	**9**	**-**	**-**	**9**
► Currency futures	-	-	-	-	9	-	-	9
Credit instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FAIR VALUE OF HEDGING DERIVATIVES	**44**	**895**	**549**	**1,488**	**14**	**197**	**379**	**591**

Trading derivatives

	31 Dec. 2020							
	Less than 1 year	1 to 5 years	Beyond 5 years	Total	Less than 1 year	1 to 5 years	Beyond 5 years	Total
(in € millions)				Assets				Liabilities
Interest rate instruments	**10**	**263**	**605**	**879**	**10**	**233**	**584**	**827**
▸ Interest rate swaps	6	225	545	775	5	203	554	762
▸ Interest rate options, caps, floors, collars	5	39	61	104	5	30	30	65
Forex instruments	**11**	**65**	**81**	**156**	**110**	**322**	**449**	**882**
▸ Currency futures	11	65	81	156	110	322	449	882
Credit instruments	**0**	**5**	**-**	**5**	**-**	**14**	**-**	**14**
Other instruments	**89**	**302**	**8**	**399**	**14**	**70**	**0**	**84**
TOTAL FAIR VALUE OF TRADING DERIVATIVES	**110**	**636**	**694**	**1,440**	**135**	**638**	**1,034**	**1,807**

	31 Dec. 2019							
	Less than 1 year	1 to 5 years	Beyond 5 years	Total	Less than 1 year	1 to 5 years	Beyond 5 years	Total
(in € millions)				Assets				Liabilities
Interest rate instruments	**19**	**227**	**457**	**703**	**16**	**210**	**423**	**650**
▸ Interest rate swaps	17	208	440	665	15	190	404	609
▸ Interest rate options, caps, floors, collars	2	19	18	39	1	20	20	41
Forex instruments	**112**	**24**	**3**	**139**	**37**	**24**	**2**	**63**
▸ Currency futures	112	24	3	139	37	24	2	63
Credit instruments	**-**	**43**	**-**	**43**	**-**	**58**	**-**	**58**
Other instruments	**-**	**-**	**-**	**-**	**0**	**11**	**-**	**12**
TOTAL FAIR VALUE OF TRADING DERIVATIVES	**131**	**294**	**460**	**885**	**53**	**303**	**426**	**783**

4.5 Hedge accounting

4.5.1 General framework of the risk management strategy

4.5.1.1 General framework

Market risks correspond to the potential impact of changes in the financial markets on La Banque Postale's results or balance sheet. They include price risk, currency risk and commodities risk.

The majority of balance sheet items generate interest income and expenses that are exposed to changes in interest rates either through new transactions at rates that are not known in advance, or through comparative increases in the rate of existing transactions. In the first case, there is a risk of a change in cash flows, while in the second case, there is a fair value risk.

The Group has applied the provisions of IFRS 9 concerning hedge accounting from 1 January 2020. However, the final version of the hedge accounting provisions of IFRS 9 published by the International Accounting Standards Board (IASB) leaves entities the option of deferring the application of these new hedge accounting guidelines. Since 1 January 2020, the Group has applied the transitional provisions of IFRS 9 concerning hedge accounting, by applying IFRS 9 to all hedging relationships except for portfolio fair value hedges for which it continues to apply IAS 39.

4.5.1.2 Reform of benchmark interest rates

Regulation (EU) 2016/1011 (Benchmark Regulation or "BMR"), is the European legislative response to the need to strengthen the regulatory framework applicable to benchmark interest rates, particularly Interbank Offered Rates (IBOR). IBOR reform implies replacing a current benchmark interest rate by an alternative benchmark adopted by all market players, or changing the method of determining the current benchmark. It will impact euro zone rates (EONIA, EURIBOR) but also rates outside of the euro zone (LIBOR).

The Benchmark Regulation has been applicable since 1 January 2018 but existing benchmarks can continue to be used during a transition period due to the operational and legal complexities. The deadline for changing to the new BMR-compliant interest rates is 1 January 2022.

La Banque Postale Group is affected by the reform because some of its financial instruments are indexed on an IBOR that will be replaced or determined by a different method in future. The Group expects the operational (products, IT), legal, accounting and other impacts to be significant. Project organisation and governance structures have been set up to deal with the operational issues arising from application of the BMR and the abolition of certain benchmark rates (EONIA, LIBOR).

The project covers the following, among other things:

- mapping of the positions concerned by the rate reforms;
- updating contracts to comply with the BMR and new market practices. As of 31 December 2020, no contracts had been renegotiated due to the IBOR reform;
- revision of existing contracts to include or improve fallback provisions applicable if the benchmark rate referred to in the contract no longer exists from 1 January 2022. As of 31 December 2020, the majority of the Group's contracts already included fallback provisions, and the work involved in revising existing contracts should not be too great. In addition, the number of contracts indexed on EONIA or LIBOR expiring beyond 2021, including master agreements issued by financial market bodies, is not material;
- the preparation of procedures to comply with the BMR;
- the updating of systems to handle new benchmark rates and replace certain rates (LIBOR, EONIA);
- the management of legal, operational and financial risks generated by the reform;
- external and internal communications related to the benchmark rate reform.

Close attention was paid to dealing with the effects of the reform on all Group units, with the Corporate & Regional Development Department and the Corporate and Investment Banking unit taking the lead in managing the project due to their high exposure to benchmark rates. In each case, concrete and targeted action was taken whenever necessary, such as modifying the general terms and conditions of certain contracts or adapting systems to handle a new benchmark rate (€STR, SOFR, SONIA). The project will be pursued until at least the start of 2022 due to the different actions still to be carried out, such as adapting contracts (addenda) and systems (migrating calculations to new rates), and the potential (LIBOR) or planned (EONIA) abolition of certain rates in early 2022 or even 2023.

As a result of the reform, the contractual cash flows of financial instruments indexed on a benchmark rate will change when the transition is made to an alternative benchmark rate. Given that the benchmark rates are different from one market to another, replacement will not take place at the same time and in the same way. During the period preceding replacement, there may be uncertainty about the timing and amount of future cash flows as long as the alternative benchmark rate and the replacement date are not known. For instruments affected by the reform that are qualified either as hedged instruments or hedging instruments in a micro-hedging relationship based on IFRS 9, or a portfolio fair value hedging relationship based on IAS 39, these uncertainties may affect the Group's ability to meet certain prospective and retrospective measurement requirements.

The Group has assessed the degree of uncertainty to which its fair value hedging derivatives were exposed as of 31 December 2020. The main exposures concern the EONIA and EURIBOR and, to a lesser extent, the USD LIBOR.

EURIBOR

In July 2019, the European Money Markets Institute (EMMI) was accredited by the French financial services and markets authority (FSMA) as EURIBOR administrator, fulfilling the requirements of the BMR. EURIBOR can therefore continue to be used for new and existing contracts. At the end of October 2019, a new method of determining EURIBOR was adopted and the rate was renamed the Hybrid EURIBOR. The new name will now be substituted for all references to the EURIBOR. As a result, the Group does not expect the EURIBOR to be abolished in the foreseeable future, including as the underlying for interest rate hedges. For this reason, the Group considers that, as of 31 December 2020, fair value hedges based on the EURIBOR are not directly affected by the IBOR reform.

EONIA

EONIA has been replaced by the €STR (Euro Short Term Rate) effective from 2 October 2019. On the replacement date, the €STRA was set at a rate equal to the EONIA plus 8.5bps. The two rates will co-exist until 1 January 2022.

USD LIBOR

The USD LIBOR is expected to be replaced by the SOFR (Secured Overnight Financing Rate), which has been published since April 2018. As of the reporting date, no date had been set for the abolition of the USD LIBOR (a consultation process is currently in progress). Furthermore, the transition arrangements have not been clearly outlined and it is not even clear whether USD LIBOR will be replaced in all contracts.

The IBOR amendment of September 2019 does not have a material impact on the consolidated financial statements of CNP Assurances.

4.5.1.3 Type of hedge – management of associated risks

The Group uses derivatives to hedge market risks as part of its asset/liability and risk management policies.

These economic hedges are subject to different accounting treatments.

Derivatives held for trading are accounted for on a symmetrical basis with the underlying; they do not form part of a hedging relationship and do not qualify for hedge accounting.

Derivatives that form part of a hedging relationship which qualifies for hedge accounting under IFRS 9 and the provisions of IAS 39 concerning portfolio fair value hedges, are classified as either fair value hedges or cash flow hedges.

Fair value hedges

A fair value hedge is a hedge of the exposure to changes in the fair value of financial assets or liabilities. Fair value hedges are primarily used to hedge the interest rate risk on fixed-rate assets and liabilities, as well as on demand deposits on the basis allowed by the European Union. In a fair value hedge, the effective portion of the gain or loss on the hedging instrument offsets the loss or gain on the hedged item. The difference between the two amounts corresponds to the ineffective portion of the gain or loss on the hedging instrument, which is recognised directly in profit or loss.

Cash flow hedges and all-in-one cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows from financial assets or liabilities, firm commitments or future transactions. Cash flow hedges are used to hedge the interest rate risk on adjustable-rate assets and liabilities. Derivatives used for cash flow hedging fix the amount of future cash flows. In the particular case of forwards, they act as an "all-in-one" cash flow hedge which is automatically effective because the contract covers both the derivative and the underlying to be delivered (hence the term "all-in-one").

Portfolio fair value hedges

Portfolio fair value hedging transactions carried out in connection with the management of fixed rate assets and liabilities are accounted for in accordance with IAS 39, as adopted by the European Union.

Portfolio fair value hedging instruments are mainly interest rate swaps designated as fair value hedges of the Group's fixed-rate assets and liabilities. The Group uses the bottom-layer approach whereby only part of the total value of portfolio items allocated to a time bucket (“the bottom layer”) is hedged by the swaps. Any over-hedging is identified during effectiveness tests and the hedging derivative is systematically terminated for the ineffective portion.

4.5.1.4 Hedging instruments

La Banque Postale Group uses several types of hedging derivatives to manage the interest rate and currency risks on its balance sheet items.

An interest rate swap is an over-the-counter contract whereby a stream of fixed-rate interest payments on a notional amount is exchanged for a stream of variable-rate interest payments on the same amount. The swaps used by the Group are mainly Overnight Index Swaps.

An interest rate option is an over-the-counter contract between two counterparties protecting the option buyer from an increase in the underlying interest rate above a certain level. The options used by the Group are caps entitling it to a cash payment if the underlying interest rate rises to above a pre-determined level (ceiling, exercise or strike rate) in exchange for a premium generally payable when the option is purchased.

The currency swaps used by the Group are cross currency swaps whereby the Group pays principal and fixed-rate interest in foreign currency and receives principal and variable rate interest in euros. In this way, the cross currency swap provides both financing in foreign currency and an economic hedge of the currency risk. The foreign currency and euro cash flows are perfectly matched in terms of amounts, dates and payments.

Scopes and economic links to the hedged risk (the underlying)

4.5.1.5 Underlyings

La Banque Postale Group hedges balance sheet transactions (both customer and financial transactions) using derivatives set up with market counterparties. These transactions depend on the business model of the portfolios.

They stem from different hedging strategies that aim primarily to hedge the interest rate risk.

Hedged item	Derivative	Hedge
Fixed-rate loans	Fixed-rate payer swap	CO-FVH: carve-out fair value hedge
Fixed-rate loans	Fixed-rate payer swap	FVH : fair value hedge
Variable-rate loans	Fixed-rate receiver swap	CFH: cash flow hedge*
Fixed-rate securities purchased	Fixed-rate payer swap	CO-FVH: carve-out fair value hedge
Fixed-rate securities purchased	Fixed-rate payer swap	FVH: fair value hedge
Fixed-rate forward securities purchased	Forward	"all-in-one CFH": all-in-one cash flow hedge
Assets with capped revisable rates	Pruchased cap	CO-FVH: carve-out fair value hedge
Fixed-rate customer deposits	Fixed-rate receiver swap	CO-FVH: carve-out fair value hedge
Fixed-rate bond issue	Fixed-rate receiver swap	FVH : fair value hedge

* Position closed out end-2018

Underlying assets:

The hedged risk corresponds to the amount represented by the interest rate risk on fixed-rate bonds and customer loans (home loans, consumer credit), and by the interest rate risk on future cash flows (purchases of long-term bonds).

Underlying liabilities:

The hedged risk corresponds to the amount represented by the interest rate risk on fixed-rate customer deposits (demand deposits, PEL home-saving plan) and fixed-rate bond issues.

4.5.1.6 Sources of hedge ineffectiveness

Hedging a security by a swap:

There are two types of fair value hedges

EURIBOR hedges: EURIBOR hedges are valued using a EURIBOR discount curve for the securities and an EONIA curve for derivatives. The use of two different discount curves creates a slight hedge ineffectiveness that will become greater when the EONIA-EURIBOR spread varies over time (ineffectiveness stemming from the changes in fair value of the variable leg of the swap, when this rate is not an overnight rate (like the EONIA) but a pre-set rate (like the EURIBOR)).

EONIA hedges: EONIA hedges are valued using an EONIA discount curve for both the securities and the derivatives. The mathematical hedge is thus perfect between the security and the swap (security discounted using EONIA with adjustment of the credit component and swap discounted using EONIA), which is why this type of hedge is considered to be 100% effective and no effectiveness test is required.

Hedging several securities with several swaps:

By applying the defined principles, it is possible to obtain a simplified documented hedging relationship that is 100% effective, while accurately managing the accounting treatment of the interest rate hedge component and notably the reclassification to profit or loss of hedging gains or losses according to the securities transactions.

The securities and their hedge (a swap or, exceptionally, several **swaps**) are grouped together by a portfolio fair value hedging strategy. Each portfolio fair value hedging strategy respects the following restrictions:

1. Maturities of the securities and swaps in the strategy must be in the same time bucket of a maximum of one year;
2. The notional amount of the swap in the strategy must be less than the total principal amount of the securities;
3. The maturity of the swap in the strategy must be less than or equal to the shortest maturity of the securities in the strategy;
4. The sensitivity of the swap in the strategy must be less than or equal to the overall sensitivity of the securities;
5. If there are several swaps in the strategy they must all be executed on the same day;
6. Once the securities and the swap(s) are matched, no other securities may be purchased in the strategy, only sales of securities and unwinding of the swaps are authorised.

Within this management framework, once a hedging strategy is set up, new securities or new swaps cannot be added to it. This guarantees that all securities and all swaps undergo the same changes in value (with respect to interest rate risk) over the hedging period.

La Banque Postale has set rules for unwinding hedges by tracking the principal amount of sold securities, strategy by strategy in order to comply with the above restrictions at all times, and partially terminating, on the day the securities are sold, the outstanding amount of the swap that exceeds the aggregate principal amount of the remaining securities. In the case of over-hedging, the effectiveness test performed by the Group fails and the hedging derivative is systematically terminated for the ineffective portion.

Portfolio fair value hedging: the sources of ineffectiveness consist mainly of the disappearance of the underlying.

4.5.1.7 Hedging ratio

The hedging ratio (quantity of hedged items/quantity of hedging instruments) is used by the La Banque Postale Group in its operational risk management.

To calculate the ratio, at each reporting date the backward-looking documentation is reviewed to verify that the change in the value of the hedged item since the beginning of the hedging relationship is the same as the change in the hedging instrument. Any valuation difference represents the ineffective portion of the gain or loss on the hedge and is recognised in the income statement.

4.5.1.8 Effectiveness test

The Group performs an effectiveness test at least twice during each half-year period.

Cash flow hedges

For cash flow hedges, the Group uses the hypothetical derivative method. This method consists of comparing changes in fair value of the derivative with changes in the fair value of a hypothetical derivative that would perfectly represent the hedged risk.

Fair value hedges

Hedging a security by a swap

For micro-hedging using EURIBOR swaps, the Group uses the hypothetical derivative method. Based on the assumption that EONIA swaps are 100% effective in micro-hedging, the method consists of creating an EONIA swap replicating the underlying security exactly that could have been set up at the time of hedging, and assessing the change in the value of this swap compared with the change in that of the actual swap.

The residual ineffectiveness thus corresponds to the sum of the changes in value of the hedged item and the hedging instrument. The security and the swap are valued using the same constant yield curve, so that only the market exchange rate is taken into account. The change in the value of the security valued this way is independent of the changes in value of the interest rates and is therefore affected solely by the change in the exchange rate.

If the effectiveness test fails, Group rules impose the sale of all or part of the hedged underlying. In this case, effectiveness tests are performed before and after the sale to ensure that the sale eliminates the hedge ineffectiveness.

Hedging several securities by a swap

For monitoring purposes, hedging strategies are documented on a rolling basis to confirm that no new securities have been added to the strategy and that existing positions have not been added to.

Hedging of several loans by several swaps (bottom-layer approach/IAS 39 carve out)

For a sub-set of fixed-rate customer loans, tests are performed to verify that the value of the loans in the time bucket represent more than the notional amount of the derivatives (swaps or options) used to hedge them (i.e., only the bottom layer is hedged). If the notional amount of the derivatives is greater, the hedging relationship is discontinued, and the derivative(s) is/are systematically unwound.

Fair value and cash flow hedging derivatives

The breakdown of fair value and cash flow hedging derivatives is shown below:

	31 Dec. 2020		
(in € millions)	Assets	Liabilities	Notional amount[1]
Interest rate instruments	**1,443**	**684**	**51,596**
► Interest rate swaps	1,443	684	51,477
► Interest rate options, caps, floors, collars	0	-	119
Forex instruments	**-**	**-**	**798**
► Currency futures	-	-	798
Other instruments	**-**	**-**	**-**
TOTAL FAIR VALUE HEDGING DERIVATIVES	**1,443**	**684**	**52,394**

	31 Dec. 2020		
(in € millions)	Assets	Liabilities	Notional amount
Interest rate instruments	**0**	**-**	**140**
Forex instruments	**-**	**79**	**741**
► Currency futures	-	79	741
Other instruments	**-**	**-**	**-**
TOTAL CASH FLOW HEDGING DERIVATIVES	**0**	**79**	**881**
TOTAL HEDGING DERIVATIVES	**1,443**	**763**	**53,275**

(1) The notional amounts of hedging derivatives falling within the scope of application of the amendment to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, are as follows:

Notional amounts of FVH derivatives by maturity (in € millions)	1 year	4 years	>4 years
EONIA	5,368	23,335	12,110
USD LIBOR	70	811	125

The notional amounts of hedging derivatives excluded from the scope of application of the amendment to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform, are as follows:

Notional amounts of FVH derivatives by maturity (in € millions)	1 year	4 years	>4 years
EURIBOR	117	5,541	4,000

No uncertainty about the EURIBOR as explained above (see Section 4.5.1.2).

These notional amounts of hedging derivatives are analysed between by the following maturities:

- 1 year: Time between the reporting date and the 31 December 2021 deadline set in the BMR for using the new benchmark rates;
- 4 years: Period between 1 January 2022 and 31 December 2024. When a banking institution that contributes to the calculation of a critical benchmark rate decides to leave the panel, it remains committed for a period of four years as of 1 January 2021, renewable annually thereafter.

	31 Dec. 2019		
(in € millions)	Assets	Liabilities	Notional amount
Interest rate instruments	**1,488**	**582**	**50,150**
▶ Interest rate swaps	1,488	582	49,990
▶ Interest rate options, caps, floors, collars	0	-	160
Forex instruments	**-**	**9**	**137**
▶ Currency futures	-	9	137
Other instruments	**-**	**-**	**-**
TOTAL FAIR VALUE HEDGING DERIVATIVES	**1,488**	**591**	**50,288**

	31 Dec. 2019		
(in € millions)	Assets	Liabilities	Notional amount
Interest rate instruments	**-**	**-**	**-**
▶ Forex instruments	-	-	-
▶ Currency futures	-	-	-
Other instruments	**-**	**-**	**-**
▶ TOTAL CASH FLOW HEDGING DERIVATIVES	-	-	-
TOTAL HEDGING DERIVATIVES	**1,488**	**591**	**50,288**

5

Hedging derivatives: analysis by residual life (notional amounts)

The breakdown of the notional amounts of derivative instruments by residual contractual life is presented below.

	31 Dec. 2020			
(in € millions)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Interest rate instruments	**5,597**	**35,263**	**10,736**	**51,596**
▶ Interest rate swaps	5,555	35,208	10,714	51,477
▶ Interest rate options, caps, floors, collars	42	55	22	119
Forex instruments	**340**	**-**	**459**	**798**
▶ Currency futures	340	-	459	798
Credit instruments	**-**	**-**	**-**	**-**
Other instruments	**-**	**-**	**-**	**-**
TOTAL NOTIONAL AMOUNT OF FAIR VALUE HEDGING DERIVATIVES	**5,937**	**35,263**	**11,194**	**52,394**

	31 Dec. 2020			
(in € millions)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Interest rate instruments	**140**	**-**	**-**	**140**
Forex instruments	**334**	**-**	**407**	**741**
Credit instruments	**-**	**-**	**-**	**-**
Other instruments	**-**	**-**	**-**	**-**
TOTAL NOTIONAL AMOUNT OF CASH FLOW HEDGING DERIVATIVES	**474**	**-**	**407**	**881**
TOTAL NOTIONAL AMOUNT OF HEDGING DERIVATIVES	**6,410**	**35,263**	**11,602**	**53,275**

	31 Dec. 2019			
(in € millions)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Interest rate instruments	**5,454**	**31,982**	**12,714**	**50,150**
▶ Interest rate swaps	5,441	31,862	12,687	49,990
▶ Interest rate options, caps, floors, collars	13	121	27	160
Forex instruments	**137**	**-**	**-**	**137**
▶ Currency futures	137	-	-	137
Credit instruments	**-**	**-**	**-**	**-**
Other instruments	**-**	**-**	**-**	**-**
TOTAL NOTIONAL AMOUNT OF FAIR VALUE HEDGING DERIVATIVES	**5,591**	**31,982**	**12,714**	**50,288**

	31 Dec. 2019			
(in € millions)	Less than 1 year	1 to 5 years	Beyond 5 years	Total
Interest rate instruments	**-**	**-**	**-**	**-**
Forex instruments	**-**	**-**	**-**	**-**
Credit instruments	**-**	**-**	**-**	**-**
Other instruments	**-**	**-**	**-**	**-**
TOTAL NOTIONAL AMOUNT OF CASH FLOW HEDGING DERIVATIVES	**-**	**-**	**-**	**-**
TOTAL NOTIONAL AMOUNT OF HEDGING DERIVATIVES	**5,591**	**31,982**	**12,714**	**50,288**

Fair value hedges

Hedged items

Fair value micro-hedging

(in € millions)	31 Dec. 2020 Book value	Existing hedges including hedging-related cumulative change in fair value	Discontinued hedges Deferred cumulative hedging-related change in fair value	Hedging-related changes in fair value over the year (incl. hedges discontinued during the year)
ASSETS				
Interest rate	12,333	325	-	105
Forex	-	-	-	-
Other	-	-	-	-
Financial instruments at fair value through OCI	**12,333**	**325**	**-**	**105**
Interest rate	1,000	14	-	2
Forex	-	-	-	-
Other	182	-	-	-
Financial instruments at amortised cost	**1,181**	**14**	**-**	**2**
LIABILITIES				
Interest rate	11,195	565	-	88
Forex	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	**11,195**	**565**	**-**	**88**

(in € millions)	31 Dec. 2019 Book value	Existing hedges including hedging-related cumulative change in fair value	Discontinued hedges Deferred hedging-related cumulative change in fair value	Hedging-related changes in fair value over the year (incl. hedges discontinued during the year)
ASSETS				
Interest rate	11,380	219	-	166
Forex	147	0	-	(1)
Other	-	-	-	-
Financial instruments at fair value through OCI	**11,527**	**219**	**-**	**165**
Interest rate	329	12	-	5
Forex	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	**329**	**12**	**-**	**5**
LIABILITIES				
Interest rate	9,315	477	-	(239)
Forex	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	**9,315**	**477**	**-**	**(239)**

Portfolio fair value hedges

(in € millions)	31 Dec. 2020 Carrying amount	31 Dec. 2019 Carrying amount
Debt instruments at fair value through OCI	-	-
Debt instruments at amortised cost	13,300	13,066
Total assets	**13,300**	**13,066**
Debt instruments at amortised cost	14,144	11,870
Total liabilities and equity	**14,144**	**11,870**
TOTAL FAIR VALUE HEDGING OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO OF FINANCIAL INSTRUMENTS	**27,444**	**24,936**

Fair value hedging gains and losses

Hedge accounting results are also presented in Note 6.3 “Net gain or loss on financial instruments at fair value through profit or loss”.

	31 Dec. 2020		
	Net hedging gain/loss		
(in € millions)	Changes in fair value of hedging instruments (incl. discontinued hedges)	Changes in fair value of hedged items (incl. discontinued hedges)	Ineffective portion of gains/losses
Interest rate	(145)	145	0
Forex	9	(8)	0
Other	-	-	-
TOTAL	**(136)**	**137**	**0**

	31 Dec. 2019		
	Net hedging gain/loss		
(in € millions)	Changes in fair value of hedging instrument (incl. discontinued hedges)	Changes in fair value of hedged items (incl. discontinued hedges)	Ineffective portion of the gains/losses
Interest rate	99	(100)	(1)
Forex	9	(8)	1
Other	-	-	-
TOTAL	**108**	**(108)**	**0**

Cash flow hedges

Hedged items

	31 Dec. 2020		
	Existing hedges	Discontinued hedges	
(in € millions)	Cumulative hedging-related change in fair value	Deferred cumulative hedging-related change in fair value	Changes in hedging-related fair value (incl. hedges discontinued during the year)
ASSETS			
Interest rate	0	31	0
Forex	(22)	-	(1)
Other	-	-	-
TOTAL	**(22)**	**31**	**(1)**

	31 Dec. 2019		
	Existing hedges	Discontinued hedges	
(in € millions)	Cumulative hedging-related change in fair value	Deferred cumulative hedging-related change in fair value	Hedging-related changes in fair value (incl. hedges discontinued during the year)
ASSETS			
Interest rate	-	-	(29)
Forex	-	-	-
Other	-	-	-
TOTAL	**-**	**-**	**(29)**

Cash flow hedging gains and losses

	31 Dec. 2020		
	Other comprehensive income		Net hedging gain/loss
(in € millions)	Effective portion of hedging gain/loss recognised during the year	Amount recognised in OCI and reclassified to profit or loss during the year	Ineffective portion of the hedging gains or losses
Interest rate	0	(16)	-
Forex	(67)	66	9
Other	-	-	-
TOTAL	**(67)**	**50**	**9**

	31 Dec. 2019		
	Other comprehensive income		Net hedging gain/loss
(in € millions)	Effective portion of hedging gain/loss recognised during the year	Amount recognised in OCI and reclassified to profit or loss during the year	Ineffective portion of the hedging gains and losses
Interest rate	22	(34)	-
Forex	-	-	-
Other	-	-	-
TOTAL	**22**	**(34)**	**-**

NOTE 5 NOTES TO THE BALANCE SHEET

5.1 Cash, central banks

(in € millions)	31 Dec. 2020	31 Dec. 2019
Cash	1,283	1,168
Central banks	500	21,245
CASH, CENTRAL BANKS	**1,783**	**22,412**

5.2 Financial assets at fair value through profit or loss

	31 Dec. 2020				
(in € millions)	Financial assets held for trading	Designated as at fair value	Fair value not SPPI and equity instruments	Assets backing unit-linked contracts	TOTAL
Derivative instruments	**1,440**	**-**	**-**	**-**	**1,440**
▸ Interest rate	879	-	-	-	879
▸ Foreign exchange	156	-	-	-	156
▸ Credit	5	-	-	-	5
▸ Equity	399	-	-	-	399
▸ Other	-	-	-	-	-
Debt instruments	**3,929**	**6,012**	**79,689**	**57,236**	**146,866**
▸ Government paper and equivalents	1,084	3,667	1,077	12,803	18,630
▸ Bonds and other fixed-income securities	2,845	2,345	15,224	8,619	29,033
▸ UCITS	-	-	63,389	35,814	99,203
Equity instruments	**0**	**-**	**34,104**	**4,071**	**38,175**
Equities and other variable-income securities	0	-	34,104	4,071	38,175
Loans and advances	**2,446**	**-**	**6,845**	**-**	**9,291**
▸ Credit institutions	-	-	-	-	-
▸ Customers	2,446	-	6,845	-	9,291
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS*	**7,815**	**6,012**	**120,638**	**61,307**	**195,772**
Derivative instruments	**1,807**	**-**	**-**	**-**	**1,807**
▸ Interest rate	827	-	-	-	827
▸ Foreign exchange	882	-	-	-	882
▸ Credit	14	-	-	-	14
▸ Equity	77	-	-	-	77
▸ Other	8	-	-	-	8
Debt securities	**-**	**1,614**	**-**	**-**	**1,614**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,807**	**1,614**	**-**	**-**	**3,421**

* Including €187,678 million in insurance assets (see Note 7.1).

	31 Dec. 2019				
(in € millions)	Financial assets held for trading	Designated as at fair value	Fair value not SPPI and equity instruments	Assets backing unit-linked contracts	TOTAL
Derivative instruments	**885**	**-**	**-**	**-**	**885**
▸ Interest rate	703	-	-	-	703
▸ Foreign exchange	139	-	-	-	139
▸ Credit	43	-	-	-	43
▸ Equity	-	-	-	-	-
▸ Other	-	-	-	-	-
Debt instruments	**6,650**	**-**	**1,205**	**-**	**7,855**
▸ Government paper and equivalents	1,375	-	-	-	1,375
▸ Bonds and other fixed-income securities	5,275	-	53	-	5,328
▸ UCITS	-	-	1,152	-	1,152
Equity instruments	**0**	**-**	**197**	**-**	**197**
▸ Equities and other variable-income securities	0	-	197	-	197
▸ Investments in non-consolidated companies	-	-	-	-	-
Loans and advances	**1,968**	**-**	**-**	**-**	**1,968**
▸ Credit institutions	-	-	-	-	-
▸ Customers	1,968	-	-	-	1,968
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**9,503**	**-**	**1,402**	**-**	**10,905**
Derivative instruments	**783**	**-**	**-**	**-**	**783**
▸ Interest rate	650	-	-	-	650
▸ Foreign exchange	63	-	-	-	63
▸ Credit	58	-	-	-	58
▸ Equity	-	-	-	-	-
▸ Other	12	-	-	-	12
Debt securities	**-**	**805**	**-**	**-**	**805**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**783**	**805**	**-**	**-**	**1,587**

Derivatives held for trading

(in € millions)	31 Dec. 2020 Assets	Liabilities	Notional amount
Interest rate instruments	**879**	**827**	**214,492**
▸ Futures	-	-	1,170
▸ Interest rate swaps	775	762	46,259
▸ Options, caps, floors, collars	104	65	167,062
Forex instruments	**156**	**882**	**5,326**
▸ Currency futures	156	882	5,326
Credit instruments	**5**	**14**	**-**
Equity instruments	**399**	**77**	**4,117**
Other instruments	**-**	**8**	**1,461**
TOTAL DERIVATIVES HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,440**	**1,807**	**225,396**

(in € millions)	31 Dec. 2019 Assets	Liabilities	Notional amount
Interest rate instruments	**703**	**650**	**57,567**
▸ Futures	-	-	1,031
▸ Interest rate swaps	665	609	38,237
▸ Options, caps, floors, collars	39	41	18,298
Forex instruments	**139**	**63**	**7,493**
Credit instruments	**43**	**58**	**3,709**
Other instruments	**-**	**12**	**1,664**
TOTAL DERIVATIVES HELD FOR TRADING AT FAIR VALUE THROUGH PROFIT OR LOSS	**885**	**783**	**70,432**

5.3 Hedging derivatives

Detailed information is provided in Note 4.5 “Hedge accounting”.

5.4 Financial assets at fair value through other comprehensive income

	31 Dec. 2020							
	Fair value				Of which impairments			
(in € millions)	B1	B2	B3	TOTAL	B1	B2	B3	TOTAL
Financial assets at fair value through OCI not reclassifiable to profit or loss				**391**				
Equity instruments				391				
▶ Equities and other variable-income securities				170				
▶ Other securities held as long-term investments				2				
▶ Investments in non-consolidated companies				219				
Financial assets at fair value through OCI reclassifiable to profit or loss*	**229,732**	**656**	**-**	**230,388**	**(361)**	**(11)**	**-**	**(372)**
Debt instruments	229,732	656	-	230,388	(361)	(11)	-	(372)
▶ Government paper and equivalents	125,387	-	-	125,387	(56)	-	-	(56)
▶ Bonds and other fixed income securities	104,345	656	-	105,001	(305)	(11)	-	(316)
Loans and advances to credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI*				**230,779**				**(372)**

* Including fair value of €216,883 million and impairments of €364 million related to the insurance business (see Note 7.1).

	31 Dec. 2019							
	Fair value				Of which impairments			
(in € millions)	B1	B2	B3	TOTAL	B1	B2	B3	TOTAL
Financial assets at fair value through OCI not reclassifiable to profit or loss				**358**				
Equity instruments				358				
▶ Equities and other variable-income securities				111				
▶ Other securities held as long-term investments				1				
▶ Investments in non-consolidated companies				246				
Financial assets at fair value through OCI reclassifiable to profit or loss*	**14,663**	**38**	**-**	**14,700**	**(3)**	**(1)**	**-**	**(4)**
Debt instruments	14,663	38	-	14,700	(3)	(1)	-	(4)
▶ Government paper and equivalents	4,104	-	-	4,104	0	-	-	0
▶ Bonds and other fixed income securities	10,559	38	-	10,596	(3)	(1)	-	(4)
Loans and advances to credit institutions	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances to customers	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI				**15,059**				**(4)**

Equity instruments at fair value through OCI not reclassifiable to profit or loss

(in € millions)	31 Dec. 2020 Fair value	31 Dec. 2020 Unrealised gains/losses
Equities, other variable-income securities and other securities held as long-term investments	171	1
Investments in non-consolidated companies	219	15
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI NOT RECLASSIFIABLE TO PROFIT OR LOSS	**391**	**16**
Tax		(1)
Gains and losses recognised directly in OCI on equity instruments at fair value through OCI not reclassifiable to profit or loss (net of taxes)		**15**

(in € millions)	31 Dec. 2019 Fair value	31 Dec. 2019 Unrealised gains/losses
Equities, other variable-income securities and other securities held as long-term investments	112	1
Investments in non-consolidated companies	246	61
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITHOUT RECYCLING	**358**	**62**
Tax		(2)
Gains and losses recognised directly in OCI on equity instruments at fair value through OCI not reclassifiable to profit or loss (net of taxes)		**60**

Investments in equity instruments derecognised during the period

(in € millions)	31 Dec. 2020 Fair value at the date of derecognition	31 Dec. 2020 Cumulative realised gains/losses*
Equities and other variable-income securities	-	-
Investments in non-consolidated companies	21	20
CARRYING AMOUNT	**21**	**20**
Tax	-	-
GAINS AND LOSSES RECOGNISED DIRECTLY IN OCI ON EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OCI NOT RECLASSIFIABLE TO PROFIT OR LOSS (NET OF TAXES)	**-**	**20**

* Realised gains and losses are transferred to consolidated reserves at the time of derecognition of the instrument in question

(in € millions)	31 Dec. 2019 Fair value at the date of derecognition	31 Dec. 2019 Cumulative realised gains/losses*
Equities and other variable-income securities	-	-
Investments in non-consolidated companies	0	0
CARRYING AMOUNT	**0**	**0**
Tax	-	-
GAINS AND LOSSES RECOGNISED DIRECTLY IN OCI ON EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OCI NOT RECLASSIFIABLE TO PROFIT OR LOSS (NET OF TAXES)	**-**	**0**

* 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 € millions)	31 Dec. 2020 Fair value of shares	31 Dec. 2020 % interest	31 Dec. 2019 Fair value of shares	31 Dec. 2019 % interest
Crédit Logement	100	6.00%	94	6.00%
Domiserve	37	100.00%	38	100.00%
KissKissBankBank	20	100.00%	30	100.00%
Ezyness	19	100.00%	-	100.00%
SFIL[1]	-	0.00%	20	5.00%
Mandarine Gestion	12	11.95%	18	11.95%
LBP Immobilier Conseil[2]	-	0.00%	15	100.00%
Transactis	12	50.00%	12	50.00%
STET	7	5.01%	7	5.01%
Bpifrance	4	0.14%	4	0.14%
Other	9		8	
TOTAL INVESTMENTS IN NON-CONSOLIDATED COMPANIES	**219**		**246**	

(1) Sold in September 2020.
(2) Consolidated for the first time in 2020.

Debt instruments at fair value through OCI reclassifiable to profit or loss

(in € millions)	31 Dec. 2020 Fair value	31 Dec. 2020 Unrealised gains/losses
Government paper and equivalents	125,387	
Bonds	105,001	
Total debt instruments	**230,388**	**3,950**
Total loans and receivables	**-**	
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE TO PROFIT OR LOSS	**230,388**	**3,950**
Tax		(836)
Gains and losses recognised directly in OCI on debt instruments at fair value through OCI reclassifiable to profit or loss (net of taxes)		**3,114**

(in € millions)	31 Dec. 2019 Fair value	31 Dec. 2019 Unrealised gains/losses
Government paper and equivalents	4,104	
Bonds	10,596	
Total debt instruments	**14,700**	**158**
Total loans and receivables	**-**	
CARRYING AMOUNT OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE TO PROFIT OR LOSS	**14,700**	**158**
Tax		(47)
Gains and losses recognised directly in OCI on debt instruments at fair value through OCI reclassifiable to profit or loss (net of taxes)		**112**

5.5 Securities at amortised cost

	31 Dec. 2020						
	Gross carrying amount			Impairments			Net carrying amount
(in € millions)	B1	B2	B3	B1	B2	B3	
Government paper and equivalents	21,882	10	-	(1)	0	-	21,891
Bonds and other fixed-income securities	1,895	246	15	(5)	(18)	(6)	2,127
SECURITIES AT AMORTISED COST	**23,777**	**256**	**15**	**(6)**	**(18)**	**(6)**	**24,018**

	31 Dec. 2019						
	Gross carrying amount			Impairments			Net carrying amount
(in € millions)	B1	B2	B3	B1	B2	B3	
Government paper and equivalents	25,248	-	-	(1)	-	-	25,247
Bonds and other fixed-income securities	2,795	31	-	(2)	(3)	-	2,821
SECURITIES AT AMORTISED COST	**28,043**	**31**	**-**	**(3)**	**(3)**	**-**	**28,068**

5.6 Loans and advances to credit institutions

	31 Dec. 2020						
	Gross carrying amount			Impairments			Net carrying amount
(in € millions)	B1	B2	B3	B1	B2	B3	
Demand deposits with credit institutions	**43,652**	**-**	**-**	**0**	**-**	**-**	**43,652**
Current accounts in debit	2,143	-	-	0	-	-	2,142
Overnight accounts and loans	41,500	-	-	-	-	-	41,500
Suspense accounts	10	-	-	-	-	-	10
Term loans and advances to credit institutions	**70,732**	**-**	**-**	**(1)**	**-**	**-**	**70,731**
Loans and advances	412	-	-	0	-	-	411
Deposits centralised with Caisse des Dépôts	67,521	-	-	(1)	-	-	67,521
Securities and other assets purchased under collateralised reverse repurchase agreements	2,799	-	-	0	-	-	2,799
Subordinated loans	**101**	**-**	**-**	**0**	**-**	**-**	**101**
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	**114,486**	**-**	**-**	**(1)**	**-**	**-**	**114,484**

	31 Dec. 2019						
	Gross carrying amount			Impairments			Net carrying amount
(in € millions)	B1	B2	B3	B1	B2	B3	
Demand deposits with credit institutions	**372**	**-**	**-**	**0**	**-**	**-**	**372**
Current accounts in debit	364	-	-	0	-	-	364
Overnight accounts and loans	-	-	-	-	-	-	-
Suspense accounts	8	-	-	-	-	-	8
Term loans and advances to credit institutions	**70,163**	**-**	**-**	**(1)**	**-**	**-**	**70,161**
Loans and advances	860	-	-	0	-	-	860
Deposits centralised with Caisse des Dépôts	67,410	-	-	(1)	-	-	67,409
Securities and other assets purchased under collateralised reverse repurchase agreements	1,893	-	-	(1)	-	-	1,892
Subordinated loans	**101**	**-**	**-**	**0**	**-**	**-**	**101**
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	**70,636**	**-**	**-**	**(1)**	**-**	**-**	**70,635**

5.7 Loans and advances to customers

	31 Dec. 2020						
	Gross carrying amount			Impairments			
(in € millions)	B1	B2	B3	B1	B2	B3	Net carrying amount
Loans and advances to customers repayable on demand	**5,554**	**251**	**157**	**(12)**	**(12)**	**(67)**	**5,870**
Retail current accounts in debit	344	35	55	(5)	(5)	(44)	379
Corporate current accounts in debit	322	11	16	(1)	(1)	(9)	339
Factoring accounts	4,781	203	76	(6)	(7)	(5)	5,042
Suspense accounts	17	-	9	-	-	(9)	17
Other loans and advances to customers repayable on demand	90	3	1	-	-	0	94
Term loans and advances to customers	**105,822**	**10,029**	**1,390**	**(148)**	**(405)**	**(528)**	**116,160**
Corporate	**25,704**	**3,460**	**262**	**(75)**	**(258)**	**(79)**	**29,014**
Short-term credit facilities	6,425	990	121	(9)	(36)	(53)	7,438
Real estate loans	11,082	713	23	(16)	(36)	(14)	11,752
Equipment loans	6,201	915	40	(31)	(72)	(6)	7,047
Loans to financial sector customers	296	171	0	(1)	(16)	0	449
Other loans	1,700	671	78	(17)	(99)	(6)	2,328
Retail	**66,932**	**6,569**	**1,129**	**(72)**	**(147)**	**(449)**	**73,962**
Short-term credit facilities	4,414	639	410	(32)	(60)	(221)	5,150
Home loans	62,518	5,930	718	(39)	(87)	(229)	68,812
Securities and other assets purchased under collateralised reverse repurchase agreements	**13,185**	**-**	**-**	**(1)**	**-**	**-**	**13,184**
Finance lease transactions	**2,867**	**338**	**64**	**(6)**	**(13)**	**(25)**	**3,224**
Equipment leasing	1,424	105	12	(5)	(4)	(5)	1,528
Real estate leasing	1,443	232	51	(2)	(9)	(20)	1,697
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST	**114,243**	**10,618**	**1,611**	**(166)**	**(430)**	**(620)**	**125,255**

	31 Dec. 2019						
	Gross carrying amount			Impairments			
(in € millions)	B1	B2	B3	B1	B2	B3	Net carrying amount
Loans and advances to customers repayable on demand	**6,244**	**46**	**92**	**(8)**	**(4)**	**(72)**	**6,297**
Retail current accounts in debit	313	39	60	(5)	(4)	(50)	353
Corporate current accounts in debit	276	6	11	0	0	(8)	285
Factoring accounts	5,566	-	8	(3)	-	(3)	5,568
Suspense accounts	22	-	11	-	-	(11)	22
Other loans and advances to customers repayable on demand	67	1	2	-	-	0	69
Term loans and advances to customers	**101,112**	**2,834**	**1,215**	**(84)**	**(140)**	**(475)**	**104,462**
Corporate	**24,086**	**655**	**101**	**(32)**	**(38)**	**(45)**	**24,726**
Short-term credit facilities	4,992	172	10	(4)	(4)	(8)	5,158
Real estate loans	9,895	192	21	(5)	(7)	(3)	10,093
Equipment loans	6,387	50	6	(14)	(6)	(2)	6,420
Loans to financial sector customers	373	17	0	0	(1)	0	388
Other loans	2,439	225	64	(9)	(20)	(31)	2,667
Retail	**70,161**	**2,178**	**1,114**	**(52)**	**(102)**	**(430)**	**72,870**
Short-term credit facilities	4,539	539	402	(24)	(49)	(206)	5,200
Home loans	65,622	1,640	713	(28)	(53)	(224)	67,670
Securities and other assets purchased under collateralised reverse repurchase agreements	**6,866**	**-**	**-**	**0**	**-**	**-**	**6,866**
Finance lease transactions	**2,646**	**195**	**67**	**(3)**	**(3)**	**(33)**	**2,869**
Equipment leasing	1,220	63	24	(2)	(1)	(15)	1,289
Real estate leasing	1,426	132	43	(1)	(2)	(19)	1,580
LOANS AND ADVANCES TO CUSTOMERS AT AMORTISED COST	**110,002**	**3,074**	**1,374**	**(95)**	**(147)**	**(580)**	**113,628**

5.8 Current and deferred tax assets and liabilities

(in € millions)	31 Dec. 2020	31 Dec. 2019
Deferred tax assets	449	223
Current tax assets	867	364
TAX ASSETS	**1,315**	**587**
Deferred tax liabilities	1,494	142
Current tax liabilities	99	13
TAX LIABILITIES	**1,593**	**155**

Deferred tax assets mainly comprise:

- the PEL/CEL home loan provision;
- timing differences related to the fair values of financial instruments, zero-interest loans and allowances for credit losses recorded in liabilities;
- fair value measurement of CNP Assurances assets and liabilities on first-time consolidation.

Tax assets are recognised only to the extent that the tax entity is expected to generate sufficient future taxable profits to permit their utilisation in the near future; unrecognised deferred tax assets on tax loss carryforwards amount to €75 million.

Breakdown of deferred tax assets by type

(in € millions)	31 Dec. 2019	Profit or loss	Equity	Other	Changes in scope of consolidation	31 Dec. 2020
PEL/CEL home loan provision	48	5	10	-	-	63
Provisions for retirement commitments	10	2	4	-	-	16
Other non-deductible provisions	128	79	153	-	-	360
Other sources of temporary differences	91	45	(209)	6	576	509
DEFERRED TAXES ARISING FROM TEMPORARY DIFFERENCES	**277**	**131**	**(42)**	**6**	**576**	**948**
IFRS adjustments	(196)	146	(139)	(2)	(1,803)	(1,993)
NET DEFERRED TAXES	**81**	**277**	**(181)**	**5**	**(1,227)**	**(1,045)**

5.9 Accruals and other assets

(in € millions)	31 Dec. 2020	31 Dec. 2019
Prepaid expenses and accrued income	969	300
Collection accounts	45	11
Other accruals	578	620
Accruals	1,592	931
Sundry debtors	4,207	1,597
Securities settlement accounts	2	1
Impairments	(63)	(6)
Other assets	4,145	1,592
Reinsurance companies' share of technical provisions	21,365	396
Insurance and reinsurance receivables	2,777	244
Loans and advances	257	-
Miscellaneous insurance assets	1,771	152
Other insurance assets	26,169	791
ACCRUALS AND OTHER ASSETS*	**31,907**	**3,314**

* Including €28,407 million recognised in 2020 on the first-time consolidation of CNP Assurances.

5.10 Investments in equity-accounted companies

(in € millions)	Sector	% interest	31 Dec. 2020 Equity-accounted value	Contribution to LBP Group net profit	Contribution to LBP Group OCI
CNP Assurances group*	Insurance	0.00%	-	637	(636)
AEW	Asset management	40.00%	56	4	1
Associates			**56**	**641**	**(636)**
Holding d'Infrastructures Gazières	Insurance	34.19%	427	42	(48)
Arial CNP Assurances	Insurance	25.14%	47	0	3
Ostrum Asset Management	Asset management	31.50%	114	(3)	0
Other joint ventures			52	9	1
Joint ventures			**640**	**48**	**(44)**
INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES			**696**	**690**	**(680)**

(in € millions)	Sector	% interest	31 Dec. 2019 Equity-accounted value	Contribution to LBP Group net income	Contribution to LBP Group OCI
CNP Assurances group*	Insurance	20.15%	3,538	276	163
AEW	Asset management	40.00%	54	6	(1)
INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES			**3,592**	**282**	**162**

* 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.

Summary financial information for the main entities accounted for using the equity method is presented below. The amounts shown are on a 100% basis and include intra-group transactions.

(in € millions)	Sector	% interest	31 Dec. 2020 Total assets	Total equity	Net profit
Associates					
▸ AEW	Asset management	40.00%	281	124	12
Joint ventures					
▸ Holding d'Infrastructures Gazières	Insurance	34.19%	1,465	786	77
▸ Arial CNP Assurances	Insurance	25.14%	25,611	119	1
▸ Ostrum Asset Management	Asset management	31.50%	256	170	(5)

5.11 Investment property

(in € millions)	31 Dec. 2020							
	Opening balance	Acquisitions/ Charges	Disposals/ Reversals	Fair value adjustments	Translation adjustments	Changes in scope of consolidation	Other movements	Closing balance
Gross carrying amount	-	14	(32)	-	(7)	1,658	0	1,634
Depreciation and impairment	-	(21)	12	-	1	(248)	-	(256)
INVESTMENT PROPERTIES AT AMORTISED COST	**-**	**(7)**	**(19)**	**-**	**(6)**	**1,410**	**0**	**1,378**
INVESTMENT PROPERTIES AT FAIR VALUE	**-**	**171**	**(50)**	**(81)**	**-**	**1,669**	**(4)**	**1,705**
TOTAL INVESTMENT PROPERTY	**-**	**164**	**(69)**	**(81)**	**(6)**	**3,079**	**(4)**	**3,083**

Investment property measured by the cost model was remeasured on the date that control of CNP Assurances was acquired (see Note 3.5 "Presentation of the main effects of the business combination on the consolidated balance sheet at the acquisition date").

At 31 December 2020, all investment property was held by the CNP Assurances group.

5.12 Property, plant and equipment and intangible assets

(in € millions)	31 Dec. 2020			31 Dec. 2019		
	Gross carrying amount	Depreciation, amortisation & impairment	Net carrying amount	Gross carrying amount	Depreciation, amortisation & impairment	Net carrying amount
Land	202	(2)	200	170	(2)	168
Buildings	1,143	(623)	520	1,015	(507)	508
Technical installations, equipment	26	(24)	2	32	(29)	3
Computer equipment	7	(7)	1	7	(6)	1
Assets in progress	15	-	15	11	-	11
Other	852	(711)	142	541	(441)	100
Property, plant and equipment	**2,245**	**(1,366)**	**879**	**1,776**	**(984)**	**792**
Software licences and development costs	2,210	(1,667)	543	1,693	(1,181)	513
Assets in progress	278	(40)	239	210	-	210
Distribution agreements	3,434	(118)	3,316	-	-	-
Acquired in-force insurance business	1,044	(466)	578	200	(96)	104
Contractual customer relationships	726	(46)	680	-	-	-
Other	75	(45)	30	40	(30)	10
Intangible assets	**7,767**	**(2,382)**	**5,385**	**2,143**	**(1,307)**	**836**
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	**10,012**	**(3,748)**	**6,264**	**3,919**	**(2,291)**	**1,628**

On acquisition of control of CNP Assurances, the acquired distribution agreements and in-force insurance business were recognised in intangible assets at fair value as part of the purchase price allocation process. Details of the purchase price allocation are provided in Note 3.5 "Presentation of the main effects of the business combination on the consolidated balance sheet at the acquisition date".

Changes in property, plant and equipment and intangible assets

(in € millions)	31 Dec. 2019	Acquisitions/ Charges	Disposals/ Reversals	Changes in scope of consolidation	Translation adjustments	Other movements	31 Dec. 2020
Gross carrying amount	1,776	84	(71)	478	(16)	(6)	2,245
Depreciation and impairment	(984)	(142)	63	(307)	5	(1)	(1,366)
Property, plant and equipment	**792**	**(58)**	**(8)**	**172**	**(11)**	**(6)**	**879**
Gross carrying amount	2,143	3,306	(64)	3,097	(722)	7	7,767
Amortisation and impairment	(1,307)	(741)	52	(408)	22	(1)	(2,382)
Intangible assets	**836**	**2,565**	**(12)**	**2,689**	**(699)**	**6**	**5,385**
o/w							
► Gross carrying amount	200	-	-	1,433	(590)	-	1,044
► Amortisation and impairment	(96)	(378)	0	0	9	-	(466)
Value of acquired in-force insurance business[1]	**104**	**(378)**	**0**	**1,433**	**(581)**	**-**	**578**
o/w							
► Gross carrying amount	-	3,045	-	390	(1)	-	3,434
► Amortisation and impairment	-	(16)	-	(102)	1	-	(118)
Value of distribution agreements[2]	**-**	**3,029**	**-**	**287**	**0**	**-**	**3,316**
TOTAL PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE FIXED ASSETS	**1,628**	**2,507**	**(21)**	**2,861**	**(711)**	**0**	**6,264**

(1) See Note 3 "Business combinations".
(2) See "Significant events of the period", "Partnership in Brazil between CNP Assurances and Caixa Seguridade".

5.13 Goodwill

Movements during the period

(in € millions)	2020	2019
CARRYING AMOUNT AT BEGINNING OF PERIOD	**160**	**160**
Goodwill arising on acquisitions for the period	-	-
Disposals	(5)	-
Impairment for the period	-	-
Other movements	-	-
CARRYING AMOUNT AT END OF PERIOD	**156**	**160**

Analysis of goodwill

(in € millions)	31 Dec. 2020	31 Dec. 2019
Tocqueville Finance Group	27	27
La Banque Postale Asset Management[1]	-	38
La Banque Postale Asset Management[2]	34	-
La Banque Postale Prévoyance	94	94
Easybourse	5	5
Total gross goodwill	**160**	**165**
Impairments	(5)	(5)
TOTAL NET GOODWILL	**156**	**160**

(1) As part of the project to merge the primarily insurance-related fixed income management activities of La Banque Postale and Natixis (see Note 1.1.5 "Significant events of the period"), this entity was merged into Ostrum Asset Management.
(2) This is the former "Sèvres LBP 2" entity, which was not consolidated in 2019. As part of the project to merge the primarily insurance-related fixed income management activities of La Banque Postale and Natixis, it acquired a complete line of business from LBP Asset Management (which was subsequently merged into Ostrum Asset Management). Once the transaction was completed, Sèvres LBP 2 was renamed "La Banque Postale Asset Management" and consolidated by La Banque Postale.

5.14 Liabilities due to credit institutions

(in € millions)	31 Dec. 2020	31 Dec. 2019
Current accounts in credit	1,005	1,109
Overnight accounts and borrowings	173	45
Other amounts due	3	25
Demand deposits from credit institutions	**1,181**	**1,178**
Term deposits	9,289	4,170
Securities and other assets sold under collateralised repurchase agreements	23,062	25,367
Term liabilities due to credit institutions	**32,351**	**29,537**
LIABILITIES DUE TO CREDIT INSTITUTIONS	**33,533**	**30,715**

5.15 Customer deposits

(in € millions)	31 Dec. 2020	31 Dec. 2019
Livret A	64,602	61,498
PEL/CEL home savings plans and accounts	31,321	31,365
Other regulated savings accounts	23,556	22,060
Regulated savings accounts	**119,480**	**114,922**
Current accounts in credit	81,972	71,112
Overnight accounts and borrowings	2,867	1,255
Other amounts due	1,076	964
Customer demand deposits	**85,915**	**73,331**
Term deposits	-	-
Term deposit accounts in credit	146	37
Securities sold under collateralised term repurchase agreements	24,853	2,725
Customer term deposits	**24,998**	**2,763**
CUSTOMER DEPOSITS	**230,393**	**191,016**

5.16 Debt securities

(in € millions)	31 Dec. 2020	31 Dec. 2019
Certificates of deposit and commercial paper	8,267	10,884
Bonds*	13,372	12,855
Other debt securities	0	0
DEBT SECURITIES	**21,639**	**23,739**

* Including €8.7 billion of covered bonds at 31 December 2020 issued by La Banque Postale Home Loan SFH (€8.8 billion at 31 December 2019).

5.17 Accruals and other liabilities

(in € millions)	31 Dec. 2020	31 Dec. 2019
Accrued expenses and deferred income	2,204	552
Other accruals	1,205	1,480
Accruals	**3,409**	**2,031**
Securities-related liabilities	82	291
Guarantee deposits received	983	1,400
Other payables	3,677	1,280
Securities settlement accounts	8	9
Other liabilities	**4,751**	**2,979**
Insurance and reinsurance payables	13,324	142
Other insurance liabilities	139	120
Other insurance liabilities	**13,463**	**263**
ACCRUALS AND OTHER LIABILITIES*	**21,622**	**5,272**

* Including €17,191 million recognised at 31 December 2020 on the first-time consolidation of CNP Assurances.

5.18 Insurance company technical provisions and shadow accounting reserves

	31 Dec. 2020			31 Dec. 2019		
(in € millions)	Before reinsurance	Reinsurance	Net of reinsurance	Before reinsurance	Reinsurance	Net of reinsurance
Non-life insurance	9,502	775	8,727	1,483	394	1,089
Life insurance	222,155	17,202	204,953	945	2	942
of which life insurance mathematical provisions	*209,860*	*16,846*	*193,014*	*829*	*1*	*828*
Financial instruments with DPF	112,374	3,144	109,230	-	-	-
of which life insurance mathematical provisions	*103,133*	*2,905*	*100,228*	-	-	-
Financial instruments without DPF	3,931	245	3,686	-	-	-
TECHNICAL PROVISIONS	**347,961**	**21,365**	**326,596**	**2,427**	**396**	**2,031**

	31 Dec. 2020			31 Dec. 2019		
(in € millions)	Before reinsurance	Reinsurance	Net of reinsurance	Before reinsurance	Reinsurance	Net of reinsurance
Net deferred participation reserve	31,870	-	31,870	125	-	125
SHADOW ACCOUNTING RESERVES	**31,870**	**-**	**31,870**	**125**	**-**	**125**
TOTAL TECHNICAL PROVISIONS AND SHADOW ACCOUNTING RESERVES*	**379,830**	**21,365**	**358,466**	**2,552**	**396**	**2,156**

* Technical provisions and shadow accounting reserves include €377,252 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.

Life insurance mathematical provisions

(in € millions)	31 Dec. 2020 Before reinsurance	Reinsurance	Net of reinsurance
LIFE INSURANCE MATHEMATICAL PROVISIONS AT BEGINNING OF PERIOD	**829**	**1**	**828**
Premiums	18,835	591	18,244
Extinguished liabilities (benefit payments)	(19,917)	(1,017)	(18,900)
Locked-in gains	3,666	312	3,354
Change in value of linked liabilities	155	(2)	157
Changes in scope of in-force business	73	(24)	97
Outstanding fees	(1,534)	(70)	(1,465)
Surpluses/deficits	(2)	-	(2)
Translation adjustments	(3,750)	-	(3,750)
Newly-consolidated entities*	315,467	20,061	295,406
Deconsolidated entities	-	-	-
Changes in assumptions	21	1	20
Other	(848)	(102)	(747)
LIFE INSURANCE MATHEMATICAL PROVISIONS AT END OF PERIOD	**312,993**	**19,751**	**293,243**

* See Note 3 "Business combinations".

Deferred participation

(in € millions)	31 Dec. 2020	31 Dec. 2019
Deferred participation on remeasurement of assets at fair value through profit and loss	2,731	36
Deferred participation on remeasurements of assets at fair value through OCI	2,848	85
Other deferred participation	26,291	4
TOTAL DEFERRED PARTICIPATION	**31,870**	**125**

Insurance risk management is explained in Section 4.7 "Insurance risks and additional supervision of the conglomerate".

5.19 Provisions

(in € millions)	31 Dec. 2019	Charges	Reversals (utilisations)	Reversals (surplus)	Changes in scope of consolidation	Translation adjustments	Other	31 Dec. 2020
Provisions for employee benefit liabilities	41	23	(30)	0	305	(1)	6	345
Provision for PEL/CEL home loan commitments	184	22	-	(2)	-	-	-	204
Accrued payroll costs and provisions for employee claims	8	6	(5)	(1)	-	-	-	8
Provisions for guarantee commitments	1	4	(1)	-	-	-	0	4
Provisions for financing commitments	39	70	(14)	-	-	-	0	95
Other provisions for liabilities and charges	64	65	(36)	(7)	315	(32)	0	369
PROVISIONS*	**337**	**189**	**(86)**	**(9)**	**620**	**(32)**	**7**	**1,025**

* Including €582 million in commercial, tax and employee-related provisions recognised on first-time consolidation of CNP Assurances at 31 December 2020.

(in € millions)	31 Dec. 2018	Charges	Reversals (utilisations)	Reversals (surplus)	Changes in scope of consolidation	Translation adjustments	Other	31 Dec. 2019
Provisions for employee benefit liabilities	39	5	0	0	-	-	(3)	41
Provision for PEL/CEL home loan commitments	252	0	(69)	-	-	-	-	184
Accrued payroll costs and provisions for employee claims	7	6	(4)	(1)	-	-	-	8
Provisions for guarantee commitments	0	10	(9)	-	-	-	0	1
Provisions for financing commitments	46	36	(43)	-	-	-	-	39
Other provisions for liabilities and charges	123	19	(56)	(21)	-	-	0	64
PROVISIONS	**469**	**75**	**(181)**	**(22)**	**-**	**-**	**(4)**	**337**

Information about PEL/CEL home savings plans and accounts

PEL/CEL new money

(in € millions)	31 Dec. 2020	31 Dec. 2019
Less than 4 years	1,179	2,009
4 to 10 years	15,821	16,862
Beyond 10 years	9,935	8,223
Total PEL Home Savings Plans	**26,935**	**27,094**
Total CEL Home Savings Accounts	**4,386**	**4,269**
TOTAL PEL/CEL NEW MONEY	**31,321**	**31,363**

PEL/CEL loans

(in € millions)	31 Dec. 2020	31 Dec. 2019
PEL home loans	13	16
CEL home loans	69	110
LOANS GRANTED OUT OF HOME LOAN SAVINGS PLANS AND ACCOUNTS	**82**	**126**

PEL/CEL Provisions

(in € millions)	31 Dec. 2020	31 Dec. 2019
Less than 4 years	6	9
4 to 10 years	65	90
Beyond 10 years	109	74
Total PEL Provisions	**180**	**172**
Total CEL Provisions	**24**	**12**
TOTAL PEL/CEL PROVISIONS	**204**	**184**

Employee benefits

The table below analyses changes in obligations and benefit expense by type of plan:

Changes in obligations by type of plan

(in € millions)	2020			
	Post-employment benefits	Long-service awards, jubilees and other long-term benefits	Part-time retirement plan	Total obligations
OBLIGATIONS AT BEGINNING OF PERIOD	**40**	**1**	**-**	**41**
Current service cost	25	1	-	26
Interest cost	1	3	-	4
Benefits paid	(31)	(6)	(1)	(38)
Actuarial gains and losses (changes in demographic and financial assumptions)	6	-	-	6
Actuarial gains and losses (experience adjustments)	0	-	-	0
Changes in scope of consolidation	248	55	1	305
Translation adjustments	(1)	-	-	(1)
Other items	0	0	-	0
OBLIGATIONS AT END OF PERIOD	**290**	**55**	**-**	**345**

The Group's pension plans are not funded by plan assets.

Sensitivity analysis of post-employment benefit provisions

A 50 bps decrease in the discount rate would result in an increase of approximately €17 million in the Group's post-employment benefit obligations.

Changes in actuarial gains and losses in post-employment benefit provisions

(in € millions)	2020
ACTUARIAL (GAINS) LOSSES AT BEGINNING OF PERIOD	**15**
Actuarial gains and losses – changes in demographic assumptions	(0)
Actuarial gains and losses – changes in financial assumptions	6
Actuarial gains and losses – experience adjustments	0
Actuarial gains and losses – other adjustments	133
ACTUARIAL (GAINS) LOSSES AT END OF PERIOD	**154**

5.20 Subordinated debt

(in € millions)	31 Dec. 2020	31 Dec. 2019
Subordinated debt	10,187	3,097
TOTAL	**10,187**	**3,097**

Subordinated debt breaks down as follows:

(in € millions)	Date of issue	Maturity date	Interest rate	Amount in issue currency	Currency	31 Dec. 2020*	31 Dec. 2019*
Redeemable subordinated notes						**10,009**	**3,097**
La Banque Postale	30.11.2010	30.11.2020	4.375%	750	EUR	-	775
La Banque Postale	23.04.2014	23.04.2026	2.750%	750	EUR	765	779
La Banque Postale	19.11.2015	19.11.2027	2.750%	750	EUR	749	749
La Banque Postale	09.06.2016	09.06.2028	3.000%	500	EUR	543	507
La Banque Postale	05.10.2016	05.10.2028	2.250%	100	EUR	105	102
La Banque Postale	16.01.2017	09.06.2028	2.250%	150	EUR	164	185
La Banque Postale	26.10.2020	26.01.2031	0.875%	500	EUR	497	-
CNP Assurances	07.04.2011	30.09.2041	6.875% until Sept. 2021, then 12-month Euribor +440bps	700	EUR	748	-
CNP Assurances	24.06.2003	23.06.2023	4.7825% until 2013, then 3-month Euribor +200bps from 24 June 2013	200	EUR	207	-
CNP Assurances	11.04.2011	30.09.2041	7.375% until Sept. 2021, then 12-month Libor +448.2bps	300	GBP	355	-
CNP Assurances	05.06.2014	05.06.2045	4.25% until June 2025, then reset at the 5-year fixed swap rate +360bps	500	EUR	575	-
CNP Assurances	10.12.2015	10.06.2047	4.5% until June 2027, then 3-month Euribor +460bps	750	EUR	912	-
CNP Assurances	22.01.2016	22.01.2049	6% throughout the life of the notes	500	USD	472	-
CNP Assurances	20.10.2016	20.10.2022	1.875% throughout the life of the notes	1,000	EUR	1,037	-
CNP Assurances	05.02.2019	05.02.2029	2.75% throughout the life of the notes	500	EUR	585	-
CNP Assurances	27.11.2019	27.07.2050	2.00% until June 2030, then 3-month Euribor +300bps	750	EUR	782	-
CNP Assurances	10.12.2019	15.01.2027	0.80% throughout the life of the notes	250	EUR	255	-
CNP Assurances	30.06.2020	30.09.2051	2.5% until Sept. 2031, then 3-month Euribor +100bps	750	EUR	759	-
CNP Assurances	08.12.2020	08.03.2028	0.38%	500	EUR	500	-
Perpetual subordinated notes						**178**	**-**
CNP Assurances	15.11.2004		4.93% until 2016, then 3-month Euribor +160bps from 15 Nov. 2016	90	EUR	88	-
CNP Assurances	15.11.2004		3-month Euribor +70bps until 2016 then 3-month Euribor +160bps	93	EUR	90	-
SUBORDINATED DEBT						**10,187**	**3,097**

* Balance sheet value including hedging effect and accrued interest.

5.21 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 31 December 2020, made up of 80,309,149 shares with a par value of €82 each.

Perpetual subordinated notes classified in equity attributable to owners of the parent

(in € millions)	Date of issue	Interest rate	Issue amount	Currency	31 Dec. 2020	31 Dec. 2019
La Banque Postale	14.11.2019	3.875%	750	EUR	744	744
PERPETUAL SUBORDINATED NOTES CLASSIFIED IN EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT					**744**	**744**

Perpetual subordinated notes issued by subsidiaries classified in non-controlling interests

(in € millions)	Date of issue	Interest rate	Issue amount	Currency	31 Dec. 2020	31 Dec. 2019
CNP Assurances	21.06.2004	TEC 10 +10bps, capped at 9%	300	EUR	251	-
	11.03.2005	6.25% until 2009, then 4 x (10-year EUR CMS – 2-year EUR CMS), 9% cap and 2.75% floor	24	EUR	24	-
	11.03.2005	6.50% until March 2008, then 3% +2,250bps x 10-year EUR CMS	225	EUR	220	-
	27.06.2005	7% until June 2010, then 10-year CMS +30bps	75	EUR	60	-
	16.05.2006	5.25% until 16 May 2036 then 3-month Euribor +185bps (including 100bps call date step-up)	160	EUR	181	-
	20.12.2006	3-month Euribor +95bps until 20 December 2026, then 3-month Euribor +195bps	108	EUR	99	-
	18.11.2014	4% until November 2024, then reset at the 5-year fixed swap rate +410bps	500	EUR	556	-
	27.06.2018	4.75% until 2028 then reset at the 5-year fixed swap rate +391.4bps	500	EUR	552	-
PERPETUAL SUBORDINATED CLASSIFIED IN NON-CONTROLLING INTERESTS					**1,944**	**-**

5.22 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 periods to maturity

	31 Dec. 2020					
(in € millions)	Less than 3 months	3 months to 1 year	1 to 5 years	Beyond 5 years	Indefinite	Total
ASSETS						
Cash, central banks	1,783	-	-	-	-	1,783
Financial assets at fair value through profit or loss	6,611	6,387	17,006	17,396	148,372	195,772
Hedging derivatives – Assets	0	11	766	665	-	1,443
Financial assets at fair value through OCI	6,260	21,847	87,143	115,139	391	230,779
Securities at amortised cost	906	4,463	3,562	15,087	-	24,018
Loans and advances to credit institutions	111,981	1,939	358	206	-	114,484
Loans and advances to customers	17,097	11,976	31,704	62,128	2,350	125,255
Revaluation differences on portfolios hedged against interest rate risks – Assets	0	4	179	36	-	220
ASSETS BY REMAINING PERIODS TO MATURITY	**144,640**	**46,626**	**140,719**	**210,657**	**151,113**	**693,754**
LIABILITIES						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	81	54	702	2,175	409	3,421
Hedging derivatives – Liabilities	2	16	327	418	-	763
Liabilities due to credit institutions	25,116	997	6,960	459	-	33,533
Customer deposits	218,340	380	31	-	11,642	230,393
Debt securities	6,230	2,164	3,329	9,916	-	21,639
Subordinated debt	95	20	1,240	8,654	178	10,187
Revaluation differences on portfolios hedged against interest rate risks – Liabilities	0	0	601	124	-	726
LIABILITIES BY REMAINING PERIODS TO MATURITY	**249,864**	**3,631**	**13,191**	**21,746**	**12,229**	**300,661**
COMMITMENTS GIVEN						
Financing commitments given	16,678	2,513	4,507	2,194	-	25,891
Guarantee commitments given	2,012	614	3	0	1	2,630
COMMITMENTS GIVEN BY REMAINING PERIODS	**18,690**	**3,126**	**4,510**	**2,194**	**1**	**28,521**

	31 Dec. 2019					
(in € millions)	Less than 3 months	3 months to 1 year	1 to 5 years	Beyond 5 years	Indefinite	Total
ASSETS						
Cash, central banks	22,412	-	-	-	-	22,412
Financial assets at fair value through profit or loss	1,804	4,881	1,012	1,993	1,215	10,905
Hedging derivatives – Assets	0	44	895	549	-	1,488
Financial assets at fair value through OCI	244	901	7,482	6,074	358	15,059
Securities at amortised cost	388	3,228	8,697	15,754	-	28,068
Loans and advances to credit institutions	49,714	4,100	11,045	5,776	-	70,635
Loans and advances to customers	12,059	12,030	30,558	58,981	-	113,628
Revaluation differences on portfolios hedged against interest rate risks – Assets	-	1	103	103	-	207
ASSETS BY REMAINING PERIODS TO MATURITY	**86,622**	**25,184**	**59,792**	**89,230**	**1,573**	**262,401**
LIABILITIES						
Central banks	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	34	20	354	1,180	-	1,587
Hedging derivatives – Liabilities	9	5	197	379	-	591
Liabilities due to credit institutions	15,492	2,332	5,651	7,240	-	30,715
Customer deposits	190,897	1	118	-	-	191,016
Debt securities	8,294	3,793	2,831	8,821	-	23,739
Subordinated debt	23	773	18	2,283	-	3,097
Revaluation differences on portfolios hedged against interest rate risks – Liabilities	0	0	679	160	-	839
LIABILITIES BY REMAINING PERIODS TO MATURITY	**214,749**	**6,923**	**9,848**	**20,063**	**-**	**251,583**
COMMITMENTS GIVEN						
Financing commitments given	14,377	5,967	4,611	1,519	-	26,475
Guarantee commitments given	584	222	1,769	0	1	2,576
COMMITMENTS GIVEN BY REMAINING PERIODS	**14,961**	**6,189**	**6,380**	**1,520**	**1**	**29,051**

5.23 Transferred assets not derecognised in their entirety

(in € millions)	Carrying amount	Of which securitisation (special-purpose entities)	Of which repurchase transactions	Of which other	Fair value
	Transferred assets still recognised in full				Transferred assets not
	Transferred assets				
Transferred financial assets – Fair value through profit or loss (held for trading)	**-**	**-**	**-**	**-**	**-**
Equity instruments	-	-	-	-	-
Debt securities	-	-	-	-	-
Loans and advances	-	-	-	-	-
Transferred financial assets – Fair value through OCI	**25,538**	**-**	**14,723**	**10,815**	**25,538**
Debt instruments	25,538	-	14,723	10,815	25,538
Loans and advances	-	-	-	-	-
Equity instruments	-	-	-	-	-
Instruments at amortised cost	**19,710**	**-**	**18,719**	**991**	**21,323**
Debt securities	19,710	-	18,719	991	21,323
Loans and advances	-	-	-	-	-
TOTAL TRANSFERRED FINANCIAL ASSETS	**45,249**	**-**	**33,442**	**11,806**	**46,862**

derecognised in their entirety							
					Transferred assets recognised to the extent of continuing involvement of the entity		
Associated liabilities							
Carrying amount	Of which securitisation (special-purpose entities)	Of which repurchase transactions	Of which other	Fair value	Total carrying amount of the initial assets before their transfer	Carrying amount still recognised (continuing involvement)	Carrying amount of the associated liabilities
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,256	**-**	**15,256**	**-**	**15,256**	**-**	**-**	**-**
15,256	-	15,256	-	15,256	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
19,824	**-**	**19,824**	**-**	**19,824**	**-**	**-**	**-**
19,824	-	19,824	-	19,824	-	-	-
-	-	-	-	-	-	-	-
35,081		**35,081**	**-**	**35,082**	**-**	**-**	**-**

5.24 Sovereign exposure

The breakdown of direct and indirect sovereign exposures is as follows:

Sovereign exposures at 31 December 2020

	31 Dec. 2020						
(in € millions)	Total Banking Portfolio	Assets at fair value through profit or loss	Total direct exposure[1]	Borrowed securities	Off-balance sheet	Total direct and indirect exposure[2]	Exposure in%
Germany	4,716	291	5,006	393	-	5,400	1.8%
Austria	2,488	6	2,495	133	-	2,627	0.9%
Belgium	10,448	312	10,759	1,521	-	12,280	4.2%
Spain	12,911	124	13,036	-	-	13,036	4.5%
France	208,599	3,527	212,125	12,375	1,036	225,535	77.1%
Italy	8,389	783	9,172	154	-	9,326	3.2%
Netherlands	341	5	346	-	-	346	0.1%
Poland	355	36	391	-	-	391	0.1%
Portugal	1,370	80	1,450	-	-	1,450	0.5%
Other European countries	208	55	263	9	1	272	0.1%
Supranational	4,814	732	5,546	16	-	5,562	1.9%
Total Europe	**254,638**	**5,952**	**260,590**	**14,600**	**1,036**	**276,227**	**94.4%**
Brazil	2,918	12,216	15,133	-	-	15,133	5.2%
Canada	269	-	269	-	-	269	0.1%
South Korea	64	-	64	94	-	158	0.1%
Japan	65	474	539	-	-	539	0.2%
Other	153	57	211	-	-	211	0.1%
Total Rest of World	**3,468**	**12,748**	**16,216**	**94**	**-**	**16,310**	**5.6%**
TOTAL	**258,107**	**18,700**	**276,806**	**14,694**	**1,036**	**292,537**	**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 € millions)	Total Banking Portfolio	Assets at fair value through profit or loss	Total direct exposure[1]	Borrowed securities	Off-balance sheet	Total direct and indirect exposure[2]	Exposure in%
Germany	2,795	-	2,795	228	-	3,023	2.9%
Austria	14	-	14	-	-	14	0.0%
Belgium	3,660	-	3,660	310	-	3,970	3.7%
Spain	1,743	196	1,939	-	-	1,939	1.8%
France	87,151	629	87,780	6,328	761	94,869	89.5%
Italy	292	681	973	3	-	976	0.9%
Netherlands	178	-	178	-	-	178	0.2%
Poland	16	-	16	-	-	16	0.0%
Portugal	420	-	420	-	-	420	0.4%
Other European countries	94	0	94	-	-	94	0.1%
Supranational	-	-	-	-	-	-	0.0%
Total Europe	**96,363**	**1,506**	**97,869**	**6,869**	**761**	**105,499**	**99.5%**
Brazil	-	-	-	-	-	-	0.0%
Canada	361	-	361	-	-	361	0.3%
South Korea	48	-	48	-	-	48	0.0%
Japan	123	-	123	-	-	123	0.1%
Other	6	-	6	-	-	6	0.0%
Total Rest of World	**539**	**-**	**539**	**-**	**-**	**539**	**0.5%**
TOTAL	**96,902**	**1,506**	**98,407**	**6,869**	**761**	**106,037**	**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 € millions)	2020	of which negative interest	2019	of which negative interest
On financial assets at amortised cost	**3,609**	**253**	**3,745**	**141**
Transactions with credit institutions*	1,089	190	1,222	124
Customer transactions	1,995	62	1,900	17
Finance lease transactions	42	-	39	-
On securities at amortised cost	483	1	584	0
On financial assets at fair value through OCI reclassifiable to profit or loss	**438**	**-**	**165**	**-**
Transactions with credit institutions	-	-	-	-
Customer transactions	-	-	-	-
Debt securities	438	-	165	-
Accrued interest on hedging instruments	**378**	**-**	**347**	**-**
Other interest income	**-**	**-**	**-**	**-**
Interest income	**4,425**	**253**	**4,258**	**141**
On financial liabilities at amortised cost	**(1,688)**	**(82)**	**(1,776)**	**(73)**
Transactions with credit institutions	(110)	(31)	(94)	(63)
Customer transactions	(1,263)	(51)	(1,368)	(10)
On debt securities and subordinated debt	(315)	-	(313)	-
Accrued interest on hedging instruments	**(151)**	**-**	**(144)**	**-**
Other interest expense	**-**	**-**	**-**	**-**
Interest expense	**(1,839)**	**(82)**	**(1,920)**	**(73)**
INTEREST INCOME AND EXPENSE		**2,586**		**2,338**

* In 2019, the ECB launched a new series of long-term refinancing operations ("TLTRO-III"), comprising seven quarterly drawdowns between September 2019 and March 2021. Each drawdown has a maturity of three years and may be repaid early from September 2021.

The amount of interest and remuneration received in respect of the centralised Livret A, Livret développement durable and Livret d'épargne populaire savings deposits amounted to €893 million in 2020 (€1,080 million in 2019).

The amount that each bank may borrow is based on its loanbook (corporates excluding financial institutions and retail customers excluding home loans) at 28 February 2019.

La Banque Postale drew down its entire TLTRO-III allocation in two tranches:

- €1.3 billion in December 2019; and
- €5.3 billion in March 2020.

The interest rate over the entire period of the operation is based on a formula that tracks lending volumes. The Group is reasonably certain that it will qualify for the subsidised interest rate and is calculating its interest on this basis (i.e. interest income as the interest rate is negative).

To encourage the banks to lend during the Covid-19 crisis, the interest rate charged to banks that maintain or increase their lending volumes is reduced by a further 50 bps. This applies to interest rates on refinancing operations between 24 June 2020 and 23 July 2021.

The Group has taken this reduction into account for the calculation of its effective rate of interest for the period and is recognising it in interest income between June 2020 and July 2021 for an amount of approximately €33 million. The reduction in the subsidised rate is passed on to customers in the interest rates charged on loans originated during the period.

6.2 Fee and commission income and expense

	2020		2019	
(in € millions)	**Income**	**Expenses**	**Income**	**Expenses**
Fees on cash and interbank transactions	76	(5)	56	(5)
Fees and commissions on customer transactions	938	(3)	1,220	(3)
Financial services fees	808	(196)	931	(205)
Fees and commissions on securities transactions[1]	317	(403)	330	(22)
Fees and commissions on financial instruments	-	(1)	-	0
Insurance fees and commissions[2]	48	(2,425)	45	(79)
Other fees and commissions	70	(3)	73	(3)
Fee and commission income and expense	**2,257**	**(3,035)**	**2,655**	**(316)**
NET FEES AND COMMISSIONS		**(778)**		**2,339**

(1) Including CNP Assurances insurance brokerage fees.
(2) Including CNP Assurances insurance distribution commissions.

6.3 Net gain or loss on financial instruments at fair value through profit or loss

(in € millions)	**2020**	**2019**
Dividends received	1,275	5
Changes in the fair value of financial assets and liabilities at fair value through profit or loss	**4,009**	**63**
Changes in fair value and interest on financial assets and liabilities held for trading	(114)	(3)
Changes in fair value and interest on financial assets and liabilities not meeting SPPI criteria	3,926	112
Changes in fair value and interest on financial assets and liabilities designated as at fair value through profit or loss	(117)	(45)
Changes in the fair value of unit-linked financial assets and liabilities at fair value through profit or loss	315	-
Net gain or loss on financial assets and liabilities at fair value through profit or loss	**(331)**	**42**
Gains or losses on financial assets and liabilities held for trading	(10)	(6)
Gains or losses on financial assets and liabilities not meeting SPPI criteria	(370)	48
Gains or losses on financial assets and liabilities designated as at fair value through profit or loss	50	-
Gains or losses on unit-linked financial assets and liabilities	-	-
Hedging gains and losses	**9**	**0**
Foreign exchange gains and losses	**-**	**-**
NET GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**4,962**	**110**

Hedging gains and losses break down as follows:

	2020		
(in € millions)	Gains	Losses	Net
Fair value hedges	**216**	**(218)**	**(2)**
Changes in fair value of hedged items attributable to the hedged risks	198	(190)	9
Changes in fair value of hedging derivatives (including hedge termination)	18	(28)	(11)
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	**128**	**(126)**	**2**
Changes in fair value of hedged items	128	-	128
Changes in fair value of hedging derivatives	0	(126)	(126)
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	**9**	**-**	**9**
Changes in fair value of the hedging instrument – ineffective portion	9	-	9
NET HEDGING GAIN OR LOSS	**353**	**(344)**	**9**

	2019		
(in € millions)	Gains	Losses	Net
Fair value hedges	**670**	**(670)**	**0**
Changes in fair value of hedged items attributable to the hedged risks	278	(387)	(108)
Changes in fair value of hedging derivatives (including hedge termination)	392	(284)	108
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 GAIN OR LOSS	**670**	**(670)**	**0**

6.4 Net gain or loss on financial instruments at fair value through other comprehensive income

(in € millions)	2020	2019
Dividend income from equity instruments at fair value through OCI not reclassifiable to profit or loss	1	18
Gains or losses on disposals of financial assets at fair value through OCI reclassifiable to profit or loss	(157)	108
► - On debt securities	(157)	108
► - On loans and advances	-	-
Gains or losses on the sale or termination of fair value hedges of debt instruments	(1)	-
NET GAIN OR LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI	**(157)**	**126**

6.5 Gains and losses on derecognition of debt instruments at amortised cost

	2020		2019	
(in € millions)	Income	Expenses	Income	Expenses
Gains and losses on derecognition events	**297**	**0**	**322**	**0**
Debt instruments	297	0	322	0
NET GAIN OR LOSS ON DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST		**297**		**322**

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

	2020		2019	
(in € millions)	Income	Expenses	Income	Expenses
Ceded income, re-invoiced expenses, expense transfers	23	-	29	-
Other operating income and expenses	302	(516)	325	(293)
Accruals for other operating expenses	35	(44)	15	(11)
Income and expenses from insurance and reinsurance activities	23,384	(21,691)	975	(606)
Income and expenses from other activities	**23,744**	**(22,251)**	**1,344**	**(910)**
NET INCOME FROM OTHER ACTIVITIES		**1,493**		**433**

6.7 General operating expenses

(in € millions)	2020	2019
Payroll costs	**(1,079)**	**(621)**
Taxes other than on income [1]	(200)	(108)
External services	(3,560)	(3,438)
Other expenses	(385)	(274)
Other general operating expenses	**(4,145)**	**(3,820)**
GENERAL OPERATING EXPENSES	**(5,224)**	**(4,441)**

(1) Including contributions to banking and insurance supervisory costs.

Average number of employees during the period

	2020	2019
Managers	6,492	3,986
Other employees	4,120	1,335
TOTAL	**10,612**	**5,321**

6.8 Cost of risk

(in € millions)	2020	2019
Bucket 1 – Performing assets – 12-month expected losses	(421)	(17)
Bucket 2 – Performing assets with deteriorated credit quality – Lifetime expected losses	(345)	(38)
Bucket 3 – Credit impaired assets	(49)	0
Net charges to loss allowances	**(816)**	**(56)**
Recoveries on impaired assets covered by allowances	20	10
Credit losses	(146)	(130)
Other losses or income [1]	268	(3)
COST OF RISK	**(674)**	**(178)**

(1) Including movements on the insurance subsidiaries' policyholders' surplus reserve.

Cost of risk by business is presented in Note 12.

The impact of the Covid-19 crisis on cost of risk is discussed in Note 4.1.

6.9 Gains and losses on other assets

(in € millions)	2020	2019
Gains and losses on disposals of intangible assets and property, plant and equipment	(6)	0
Gains and losses on remeasurement of consolidated securities	(1,494)	-
NET GAIN OR LOSS ON OTHER ASSETS	**(1,500)**	**0**

The net loss on remeasurement of consolidated securities mainly 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 Changes in the value of goodwill

(in € millions)	2020	2019
Badwill recognised in the income statement	4,578	-
CHANGE IN THE VALUE OF GOODWILL	**4,578**	**-**

Badwill recognised in the income statement arose on acquisition of control of CNP Assurances (see Note 3 “Business combinations”).

6.11 Income tax

(in € millions)	2020	2019
Current tax	(696)	(292)
Deferred taxes	277	19
INCOME TAX	**(419)**	**(273)**

Tax proof

(in € millions)	2020		2019	
Attributable net profit	**4,155**		**780**	
Non-controlling interests	533		5	
Share of profits of equity-accounted companies	(690)		(282)	
Income tax expense	419		273	
Pre-tax profit	**4,417**		**776**	
Theoretical income tax expense	**(1,414)**	**32.02%**	**(267)**	**34.43%**
Effect of permanent differences	981	-22.20%	(10)	1.32%
Effects of differences in tax rates	(99)	2.24%	16	-2.07%
Effect of tax on distributed earnings	56	-1.27%	(4)	0.55%
Other effects	58	-1.30%	(7)	0.92%
RECOGNISED INCOME TAX EXPENSE	**(419)**	**9.48%**	**(273)**	**35.15%**

NOTE 7 INSURANCE ACTIVITIES

7.1 Insurance investments

(in € millions)	31 Dec. 2020	31 Dec. 2019
Financial assets at fair value through profit or loss (a)	187,678	435
Hedging derivatives	-	-
Financial assets at fair value through OCI reclassifiable to profit or loss (b)	216,883	2,234
Securities at amortised cost	155	-
Investment properties	3,083	-
INSURANCE INVESTMENTS	**407,799**	**2,669**

(a) Financial assets at fair value through OCI reclassifiable to profit or loss

(in € millions)	31 Dec. 2020	31 Dec. 2019
Debt instruments	**149,028**	**272**
Government paper and equivalents	4,744	-
Bonds and other fixed-income securities	17,523	7
UCITS	62,680	265
Assets backing unit-linked contracts	57,236	-
Loans and advances	6,845	-
Equity instruments	**38,120**	**162**
Equities and other variable-income securities	34,049	162
Assets backing unit-linked contracts	4,071	-
Derivative instruments	**531**	**-**
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**187,678**	**435**

(b) Financial assets at fair value through OCI reclassifiable to profit or loss

(in € millions)	31 Dec. 2020 Fair value	Of which impairments	Unrealised gains/losses
Government paper and equivalents	122,018	(56)	1,847
Bonds and other fixed-income securities	94,865	(308)	2,017
Total debt instruments	**216,883**	**(364)**	**3,864**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECYCLABLE TO PROFIT OR LOSS	**216,883**	**(364)**	**3,864**
Tax	-	-	(815)
Gains and losses recognised directly in OCI on debt instruments at fair value through OCI reclassifiable to profit or loss (net of tax) – insurance investments	**-**	**-**	**3,049**

(in € millions)	31 Dec. 2019 Fair value	Of which impairments	Unrealised gains/losses
Government paper and equivalents	918	(0)	64
Bonds and other fixed-income securities	1,316	(0)	69
Total debt instruments	**2,234**	**(0)**	**133**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI RECLASSIFIABLE TO PROFIT OR LOSS	**2,234**	**(0)**	**133**
Tax	-	-	(40)
Gains and losses recognised directly in OCI on debt instruments at fair value through OCI reclassifiable to profit or loss (net of tax) – insurance investments	**-**	**-**	**93**

7.2 Insurance income statement

(in € millions)	2020 External income	2020 Inter-segment income
Written premiums	23,169	0
Change in unearned premiums	(169)	-
Earned premiums	**23,000**	**0**
Revenue from other activities	**131**	**4**
Other operating income	**0**	**-**
Investment income net of expenses	4,896	(10)
Gains and losses on disposals of investments	(2,180)	-
Change in fair value of investments at fair value through profit or loss	526	-
Change in impairment losses on investments	(333)	-
Impact of the overlay approach	(679)	-
Investment income net of expenses	**2,231**	**(10)**
Total revenue	**25,360**	**(4)**
Claims and benefits expenses	(21,037)	(5)
Ceded expenses and income	120	-
Income and expenses from other activities	(1)	-
Acquisition costs	(2,617)	(669)
Amortisation of acquired in-force business and distribution agreements	(431)	-
Administrative costs	(241)	(5)
Other operating income and expenses	(455)	0
Total other income and expenses, net	**(24,661)**	**(679)**
Recurring operating profit (loss)	**701**	**(685)**
Non-recurring operating income and expenses, net	(28)	-
Operating profit (loss)	**673**	**(685)**
Finance costs	(56)	-
Changes in value of intangible assets	(11)	-
Share of profit of equity-accounted companies	688	-
Change in the value of goodwill	4,578	-
Income tax expense	(420)	-
CONSOLIDATED NET PROFIT (LOSS)	**5,452**	**(685)**
NON-CONTROLLING INTERESTS		**491**
PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT		**4,276**

(in € millions)	2019
Premium income	975
Written premiums	992
Change in unearned premiums	(17)
Earned premiums	975
Investment income net of expenses	108
Investment income, including income from investment properties	49
Investment expenses and other financial expenses	(3)
Gains and losses on disposals of investments	11
Change in fair value of investments at fair value through profit or loss	51
Net profit or loss on fair value hedges	-
Amortisation of deferred acquisition costs	**-**
Cost of external policy-related services	**(536)**
Insurance commissions	**(36)**
Reinsurance result	**(57)**
NET PROFIT FROM INSURANCE ACTIVITIES	**453**

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 € millions)	31 Dec. 2020				31 Dec. 2019			
	Carrying amount	Gross overlay impact	Deferred tax	Net overlay impact	Carrying amount	Gross overlay impact	Deferred tax	Net overlay impact
UCITS	45,751	152	(6)	146	203	6	(1)	6
Equities and other variable-income securities	29,263	529	(172)	357	162	14	(3)	11
Bonds	6,230	(4)	(41)	(46)	7	0	0	0
Other financial assets	19,028	2	6	8	-	-	-	-
TOTAL	**100,272**	**679**	**(214)**	**465**	**373**	**21**	**(4)**	**16**

The impact on the income statement of applying the overlay approach is presented below:

(in € millions)	2020			2019		
	IAS 39	IFRS 9	Overlay impact	IAS 39	IFRS 9	Overlay impact
Net banking income excluding overlay	(68)	611	-	15	36	-
Overlay impact	**-**	**-**	**(679)**	**-**	**-**	**(21)**
Net banking income	**(68)**	**611**	**(679)**	**15**	**36**	**(21)**
Deferred taxes	16	(198)	214	(1)	(6)	4
NET PROFIT	**(52)**	**413**	**(465)**	**14**	**30**	**(16)**

NOTE 8 IFRS 16

Right-of-use assets

(in € millions)	31 Dec. 2020	31 Dec. 2019
Right-of-use assets	137	171
Property, plant and equipment excluding right-of-use assets	742	620
PROPERTY, PLANT AND EQUIPMENT	**879**	**792**

Breakdown of right-of-use assets (net values)

(in € millions)					2020
	Amount at 31 December 2019	New leases	Depreciation	Changes in leases	Amount at 31 December 2020
Buildings	161	8	(37)	(1)	131
Vehicles	8	1	(4)	0	4
Other	3	1	(3)	0	1
RIGHT-OF-USE ASSETS	**171**	**10**	**(44)**	**(1)**	**137**

Lease liabilities

(in € millions)	31 Dec. 2020	31 Dec. 2019
Lease liabilities	148	183
Accruals and other liabilities, excluding lease liabilities	21,475	5,090
ACCRUALS AND OTHER LIABILITIES	**21,622**	**5,272**

Analysis of lease liabilities by residual maturity

(in € millions)	31 Dec. 2020	31 Dec. 2019
Less than 1 year	42	45
Between 1 and 5 years	82	111
Beyond 5 years	23	27
LEASE LIABILITIES	**148**	**183**

Changes in lease liabilities

(in € millions)	
Amount at 31 December 2019	**183**
Increase in lease liabilities from new leases	10
Lease payments	(44)
Lease modifications	(1)
Amount at 31 December 2020	**148**

Income statement effect of applying IFRS 16

(in € millions)	2020	2019
Interest expense		
Interest expense on lease liabilities	(0)	0
General operating expenses		
Income from sub-leasing right-of-use assets	2	2
Gains or losses from sale-and-leaseback transactions	-	-
Rent: short-term leases	(4)	(3)
Rent: leases on low-value assets	(0)	0
Variable lease payments not taken into account for the measurement of lease liabilities	(0)	(1)
Non-deductible VAT on lease payments	(10)	(9)
Other	(28)	0
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		
Depreciation of right-of-use assets	(44)	(43)
LEASE COSTS	**(84)**	**(55)**

Finance leases (Group as lessor)

(in € millions)	31 Dec. 2020	31 Dec. 2019
Gross investment	**3,374**	**3,075**
Gross investment recoverable within one year	964	620
Gross investment recoverable in one to five years	1,619	1,422
Gross investment recoverable beyond five years	792	1,033
Discounted present value of future minimum lease payments receivable	**2,925**	**2,513**
Discounted present value of minimum lease payments receivable within one year	696	466
Discounted present value of minimum lease payments receivable in one to five years	1,492	1,299
Discounted present value of minimum lease payments receivable beyond five years	737	747
Unearned interest income	**105**	**168**
Unguaranteed residual values accruing to the lessor	***344***	***386***

Net profit on finance leases (Group as lessor)

(in € millions)	2020	2019
Profit/loss on sales	1	0
Interest income on net investment	41	39

NOTE 9 COMMITMENTS GIVEN AND RECEIVED

Contractual value of commitments given and received:

(in € millions)	31 Dec. 2020	31 Dec. 2019
FINANCING COMMITMENTS		
Given to credit institutions	1,838	1,723
Given to customers	24,053	24,751
Total financing commitments given	**25,891**	**26,475**
Received from credit institutions	15,619	10,890
Received from customers	495	-
Total financing commitments received	**16,114**	**10,890**
GUARANTEE COMMITMENTS		
Given to credit institutions	980	715
Given to customers*	1,650	1,861
Total guarantee commitments given	**2,630**	**2,576**
Received from credit institutions	36,712	37,464
Received from customers	6,515	5,749
Total guarantee commitments received	**43,226**	**43,213**
SECURITIES COMMITMENTS		
Securities to be delivered	15,135	10,721
Total securities commitments given	**15,135**	**10,721**
Securities to be received	365	400
Total securities commitments received	**365**	**400**
OTHER COMMITMENTS		
Total other commitments given	**46,668**	**18,311**
Total other commitments received	**27,589**	**3,372**

* 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 €197 million at 31 December 2020 (€216 million at 31 December 2019).

The amount reported for guarantee commitments received from credit institutions primarily corresponds to guarantees received from Crédit Logement.

Other commitments given

Other commitments given by the banking entities mainly concern securities pledged as collateral for the financing commitment received from the ECB and for 3G funding. The commitment is measured at the market value of the pledged securities before taking into account the differentiated haircuts applied to securities and receivables. The €8,340 million commitment has been given in exchange for a 3G financing commitment received from Banque de France (€808 million) and drawdowns of the TLTRO-III allocation from the ECB (€6,614 million).

Other commitments also include €21,725 million in home loans pledged as collateral for covered bond issues by the Group's home loans company (La Banque Postale Home Loan SFH).

Other commitments given by the insurance entities correspond for the most part to securities pledged to reinsurers under the terms of outward reinsurance contracts.

Other commitments received

These consist of securities commitments and are essentially securities pledged by ceding insurers to CNP Assurances under the terms of inward reinsurance contracts.

NOTE 10 FAIR VALUE OF BALANCE SHEET ITEMS

10.1 Fair value of balance sheet items recognised at amortised cost

The table below shows the fair value of balance sheet items recognised at amortised cost.

(in € millions)	31 Dec. 2020				
			Fair value hierarchy		
	Balance sheet amount	Fair value	Valuation using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
ASSETS					
Securities at amortised cost	**24,018**	**25,842**	**24,323**	**1,202**	**317**
Demand deposits with credit institutions	43,652	43,652	-	43,491	161
Term loans and advances to credit institutions	70,832	70,844	-	70,719	124
Loans and advances to credit institutions	**114,484**	**114,496**	**-**	**114,211**	**285**
Loans and advances to customers repayable on demand	5,870	5,870	-	5,694	176
Term loans and advances to customers	116,160	121,451	-	108,201	13,250
Finance leases	3,224	3,742	-	3,742	-
Loans and advances to customers	**125,255**	**131,063**	**-**	**117,637**	**13,426**
Investment property at amortised cost	**1,378**	**1,736**	**-**	**1,736**	**-**
LIABILITIES					
Demand deposits from credit institutions	1,181	1,181	-	1,180	1
Term liabilities due to credit institutions	32,351	32,371	-	32,339	32
Liabilities due to credit institutions	**33,533**	**33,553**	**-**	**33,519**	**34**
Customer demand deposits	205,394	207,710	-	206,294	1,416
Customer term deposits	24,998	24,999	-	24,888	111
Customer deposits	**230,393**	**232,709**	**-**	**231,182**	**1,527**
Debt securities	**21,639**	**22,697**	**11,339**	**11,358**	**0**
Subordinated debt	10,187	10,586	2,961	7,625	-

	31 Dec. 2019				
			Fair value hierarchy		
(in € millions)	Balance sheet amount	Fair value	Valuation using prices quoted on an active market (level 1)	Valuation using observable inputs (level 2)	Valuation using unobservable inputs (level 3)
ASSETS					
Securities at amortised cost	**28,068**	**29,747**	**27,914**	**1,626**	**207**
Demand deposits with credit institutions	372	372	-	234	138
Term loans and advances to credit institutions	70,263	70,272	-	70,152	120
Loans and advances to credit institutions	**70,635**	**70,644**	**-**	**70,386**	**258**
Loans and advances to customers repayable on demand	6,297	6,297	-	6,184	114
Term loans and advances to customers	104,462	111,160	-	98,204	12,956
Finance leases	2,869	3,148	-	3,148	-
Loans and advances to customers	**113,628**	**120,606**	**-**	**107,536**	**13,070**
LIABILITIES					
Demand deposits from credit institutions	1,178	1,178	-	1,176	2
Term liabilities due to credit institutions	29,537	29,545	-	29,518	28
Liabilities due to credit institutions	**30,715**	**30,723**	**-**	**30,694**	**29**
Customer demand deposits	188,253	188,253	-	187,121	1,132
Customer term deposits	2,763	2,764	-	2,762	2
Customer deposits	**191,016**	**191,017**	**-**	**189,883**	**1,133**
Debt securities	**23,739**	**24,019**	**10,444**	**13,575**	**-**
Subordinated debt	**3,097**	**3,249**	**3,143**	**105**	**-**

Fair value of loans

This information covers all disbursed loans and drawdowns on credit facilities shown in La Banque Postale's balance sheet. Loans granted but not yet disbursed or drawn down are not taken into account: the assumption is that since their rates were recently set, their fair value should not be materially different from their nominal amount.

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

- the fair value of current account overdrafts is presumed to correspond to their book value due to their short duration (the customer is required to restore 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 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 (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.

10.2 Fair value hierarchy of financial assets and liabilities recognised in 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 at fair value

	31 Dec. 2020			
		Fair value hierarchy		
(in € millions)	Fair value	Valuation 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	7,815	1,483	6,332	-
Financial assets designated as at fair value through profit or loss	6,012	5,495	30	487
Financial assets at fair value not meeting the SPPI criteria	120,638	84,944	23,280	12,415
Assets backing unit-linked contracts	61,307	56,364	3,536	1,406
Financial assets at fair value through profit or loss	**195,772**	**148,285**	**33,178**	**14,308**
Fair value hedging derivatives	1,443	-	1,443	-
Cash flow hedging derivatives	0	-	0	-
Hedging derivatives	**1,443**	**-**	**1,443**	**-**
Financial assets at fair value through OCI not reclassifiable to profit or loss	391	-	0	391
Financial assets at fair value through OCI reclassifiable to profit or loss	230,388	226,826	1,964	1,598
Financial assets at fair value through OCI	**230,779**	**226,826**	**1,964**	**1,989**
Investment properties at fair value	**1,705**	**-**	**1,705**	**-**
FINANCIAL LIABILITIES				
Financial liabilities held for trading	1,807	-	1,807	-
Financial liabilities designated as at fair value	1,614	400	1,215	-
Financial liabilities at fair value through profit or loss	**3,421**	**400**	**3,021**	**-**
Fair value hedging derivatives	684	-	684	-
Cash flow hedging derivatives	79	-	79	-
Hedging derivatives	**763**	**-**	**763**	**-**

Transfers of securities

Transfer from level 2 to level 1: €117.6 million (four fixed-income securities issues that now meet the required trading volume and frequency conditions).

Transfer from level 1 to level 2: €64.1 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).

Transfers of derivatives

Transfer from level 1 to level 2: €8.5 million (corresponding to a change of method in 2020 applied to nine credit default swaps).

	31 Dec. 2019			
		Fair value hierarchy		
(in € millions)	Fair value	Valuation 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	9,503	1,584	7,918	-
Financial assets designated as at fair value through profit or loss	-	-	-	-
Financial assets at fair value not meeting the SPPI criteria	1,402	812	257	333
Financial assets at fair value through profit or loss	**10,905**	**2,397**	**8,175**	**333**
Fair value hedging derivatives	1,488	-	1,488	-
Hedging derivatives	**1,488**	**-**	**1,488**	**-**
Financial assets at fair value through OCI not reclassifiable to profit or loss	358	-	0	358
Financial assets at fair value through OCI reclassifiable to profit or loss	14,700	14,499	201	-
Financial assets at fair value through OCI	**15,059**	**14,499**	**201**	**358**
FINANCIAL LIABILITIES				
Financial liabilities held for trading	783	58	724	-
Financial assets designated as at fair value	805	-	805	-
Financial liabilities at fair value through profit or loss	**1,587**	**58**	**1,529**	**-**
Fair value hedging derivatives	591	-	591	-
Cash flow hedging derivatives	-	-	-	-
Hedging derivatives	**591**	**-**	**591**	**-**

Changes in fair value based on level 3 inputs: reconciliation of opening and closing balances

(in € millions)	31 Dec. 2020		
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
OPENING	**333**	**358**	**691**
Total gains and losses recorded in profit or loss	(55)	-	(55)
Total gains and losses recorded in other comprehensive income	-	(13)	(13)
Purchases	3,577	1,145	4,722
Sales	(695)	(20)	(716)
Issues	-	-	-
Redemptions	(735)	-	(735)
Transfer to or from level 3	(152)	(50)	(202)
Changes in scope of consolidation	12,093	569	12,663
Other movements	(57)	(1)	(58)
CLOSING	**14,308**	**1,989**	**16,297**

(in € millions)	31 Dec. 2019		
	Financial assets at fair value through profit or loss	Financial assets at fair value through OCI	Total
OPENING	**303**	**289**	**591**
Total gains and losses recorded in profit or loss	22	-	22
Total gains and losses recorded in other comprehensive income	-	17	17
Purchases	35	53	88
Sales	(1)	0	(1)
Issues	-	-	-
Redemptions	(26)	-	(26)
Transfer to or from level 3	-	-	-
Changes in scope of consolidation	-	-	-
Other movements	-	0	0
CLOSING	**333**	**358**	**691**

NOTE 11 OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

A financial asset and a financial liability are offset and shown in the balance sheet for their net amount when the Group has a legally enforceable right to offset the amounts recognised, and has the intention either to settle the net amount or to realise the asset and settle the liability simultaneously.

A financial asset and a financial liability covered by a master netting arrangement or similar agreement meeting the definition of an enforceable contract (legally enforceable right to offset securities with the same maturity against cash), which can be exercised under all conditions but does not meet the offsetting criteria, are presented for their net amounts when they concern the same legal entity.

The tables below show the amounts of financial assets and liabilities that are offset in the consolidated balance sheet as well as the amounts that can be offset in accordance with master netting arrangements or similar agreements, but are not eligible to be offset in the consolidated financial statements.

The net positions resulting from these various offsets are not intended to measure the Group's exposure to counterparty risk on these financial instruments.

Financial assets and liabilities offset in 2020

	31 Dec. 2020						
	(a)	(b)	(c) = (a) – (b)	(d)		(e)	(f) = (c) - (d) - (e)
				Amounts not offset			
(in € millions)	Gross carrying amount of financial assets	Gross carrying amount of financial liabilities offset in the financial statements	Net financial asset	Financial instruments	Collateral received	Financial instruments received as collateral	Net carrying amount
Financial instruments at fair value through profit or loss	**197,215**	**-**	**197,215**	**2,095**	**667**	**-**	**194,453**
Of which repo transactions	1	-	1	-	-	-	1
Of which financial derivatives (including hedging derivatives)	2,980	-	2,980	2,095	667	-	218
Loans and receivables due from credit institutions and customers	**242,453**	**2,713**	**239,739**	**1,820**	**1**	**11,811**	**226,106**
Of which repo transactions	18,696	2,713	15,983	1,820	1	11,811	2,350
Accruals and other assets	**31,907**	**-**	**31,907**	**7**	**-**	**-**	**31,900**
Of which guarantee deposits	17	-	17	7	-	-	10
Other financial assets not offset	**268,314**	**-**	**268,314**	**-**	**-**	**-**	**268,314**
TOTAL ASSETS	**739,889**	**2,713**	**737,176**	**3,923**	**668**	**11,811**	**720,773**

	31 Dec. 2020						
	(a)	(b)	(c) = (a) – (b)	(d)		(e)	(f) = (c) - (d) - (e)
				Amounts not offset			
(in € millions)	Gross carrying amount of financial liabilities	Gross value of financial assets offset in the financial statements	Net liability	Financial instruments	Collateral given	Financial instruments given as collateral	Net carrying amount
Financial instruments at fair value through profit or loss	**4,184**	**-**	**4,184**	**2,095**	**453**	**-**	**1,636**
Of which financial derivatives (includes hedging derivatives)	2,568	-	2,568	2,095	453	-	20
Liabilities due to credit institutions and customers	**266,639**	**2,713**	**263,926**	**1,820**	**212**	**34,237**	**227,657**
Of which reverse repo transactions	50,628	2,713	47,915	1,820	212	34,237	11,646
Other financial liabilities not offset	**436,623**	**-**	**436,623**	**-**	**-**	**-**	**436,623**
TOTAL LIABILITIES	**707,445**	**2,713**	**704,732**	**3,915**	**664**	**34,237**	**665,916**

Financial assets and liabilities offset in 2019

	31 Dec. 2019						
	(a)	(b)	(c) = (a) – (b)	(d)		(e)	(f) = (c) - (d) - (e)
				Amounts not offset			
(in € millions)	Gross carrying amount of financial assets	Gross carrying amount of financial liabilities offset in the financial statements	Net financial asset	Financial instruments	Collateral received	Financial instruments received as collateral	Net carrying amount
Financial instruments at fair value through profit or loss	**12,392**	**-**	**12,392**	**1,199**	**1,037**	**-**	**10,156**
Of which financial derivatives (including hedging derivatives)	2,373	-	2,373	1,199	1,037	-	136
Loans and receivables due from credit institutions and customers	**188,379**	**4,116**	**184,263**	**688**	**57**	**8,006**	**175,512**
Of which repo transactions	12,874	4,116	8,758	688	57	8,006	7
Accruals and other assets	**3,314**	**-**	**3,314**	**1**	**-**	**-**	**3,313**
Of which guarantee deposits	5	-	5	1	-	-	4
Other financial assets not offset	**71,713**	**-**	**71,713**	**-**	**-**	**-**	**71,713**
TOTAL ASSETS	**275,799**	**4,116**	**271,683**	**1,888**	**1,094**	**8,006**	**260,694**

	31 Dec. 2019						
	(a)	(b)	(c) = (a) – (b)	(d)		(e)	(f) = (c) - (d) - (e)
				Amounts not offset			
(in € millions)	Gross carrying amount of financial liabilities	Gross carrying amount of financial assets offset in the financial statements	Net financial liability	Financial instruments	Collateral given	Financial instruments given as collateral	Net carrying amount
Financial instruments at fair value through profit or loss	**2,178**	**-**	**2,178**	**1,199**	**151**	**-**	**828**
Of which financial derivatives (including hedging derivatives)	1,362	-	1,362	1,199	151	-	12
Liabilities due to credit institutions and customers	**225,846**	**4,116**	**221,731**	**687**	**1,919**	**25,470**	**193,654**
Of which reverse repo transactions	32,208	4,116	28,092	687	1,919	25,470	16
Other financial liabilities not offset	**35,991**	**-**	**35,991**	**-**	**-**	**-**	**35,991**
TOTAL LIABILITIES	**264,016**	**4,116**	**259,900**	**1,887**	**2,070**	**25,470**	**230,474**

NOTE 12 SEGMENT INFORMATION

La Banque Postale Group is organised around the following divisions:

- **Retail Banking**, which includes the activities of La Banque Postale, the CRSF Métropole, CRSF Dom and Tertiaire Saint Romain non-trading property companies that own La Banque Postale's offices, La Banque Postale Consumer Finance, Easybourse, La Banque Postale Leasing & Factoring, La Banque Postale Collectivités Locales, La Banque Postale Home Loan SFH, BPE, La Banque Postale Immobilier Conseil, SOFIAP, Ma French Bank, the SF2 holding company, FCT Elise 2012, as well as the Dutch debt securitisation funds LBP Dutch Mortgage Portfolio 1 BV and 2 BV;
- **Insurance,** comprising 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 (merged into SF2 on 15 December 2020, see Note 15 "Scope of consolidation");
- **Asset management,** comprising La Banque Postale Asset Management Holding, La Banque Postale Asset Management, Tocqueville Finance Holding, Tocqueville Finance SA, Ostrum Asset Management and AEW SA.

Except for the foreign subsidiaries of CNP Assurances and AEW SA and the Dutch debt securitisation funds LBP Dutch Mortgage Portfolio 1 BV and 2 BV, the Group conducts all of its business activities in France.

Inter-segment and intra-segment transactions are conducted on arm's length terms.

12.1 Results by business segment

2020 net banking income by business segment

(in € millions)	2020					
	Retail Banking		Insurance		Asset management	
	External income	Inter-segment eliminations	External income	Inter-segment eliminations	External income	Inter-segment eliminations
Interest income	3,888	0	537	9	0	0
Interest expense	(1,739)	(9)	(100)	-	-	0
Fee and commission income	1,911	784	57	4	288	10
Fee and commission expense	(192)	(4)	(2,804)	(692)	(39)	(102)
Net gain or loss on financial instruments at fair value through profit or loss	11	-	4,951	-	0	-
Net gain or loss on financial instruments at fair value through other comprehensive income	66	-	(223)	-	1	-
Net gain or loss on derecognised financial assets at amortised cost	297	-	-	-	-	-
Income from other activities	269	0	23,471	0	4	0
Expenses from other activities	(300)	0	(21,950)	-	(1)	-
Impact of the overlay approach (gross impact)	-	-	(679)	-	-	-
External/internal net banking income	**4,210**	**771**	**3,261**	**(679)**	**253**	**(92)**
Net banking income by segment	**4,981**		**2,582**		**161**	
NET BANKING INCOME			**7,724**			

2019 net banking income by business segment

	2019					
	Retail Banking		Insurance		Asset management	
(in € millions)	External income	Inter-segment eliminations	External income	Inter-segment eliminations	External income	Inter-segment eliminations
Interest income	4,214	0	44	-	-	-
Interest expense	(1,917)	-	(3)	-	0	0
Fee and commission income	2,310	281	45	4	300	2
Fee and commission expense	(193)	(5)	(81)	(175)	(42)	(106)
Net gain or loss on financial instruments at fair value through profit or loss	46	-	64	-	1	-
Net gain or loss on financial instruments at fair value through other comprehensive income	122	-	3	-	1	-
Net gain or loss on derecognised financial assets at amortised cost	322	-	-	-	-	-
Income from other activities	365	0	978	0	1	0
Expenses from other activities	(303)	0	(607)	-	0	-
Impact of the overlay approach (gross impact)	-	-	(21)	-	-	-
External/internal net banking income	**4,966**	**275**	**422**	**(171)**	**259**	**(104)**
Net banking income by segment	**5,241**		**251**		**155**	
NET BANKING INCOME			**5,647**			

2020 net profit by business segment (excluding the cost of equity for each segment)

	2020			
(in € millions)	Retail Banking	Insurance	Asset management	Total
NET BANKING INCOME	**4,981**	**2,582**	**161**	**7,724**
General operating expenses	(4,228)	(903)	(93)	(5,224)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(381)	(102)	(5)	(487)
GROSS OPERATING PROFIT	**373**	**1,577**	**63**	**2,013**
Cost of risk	(607)	(67)	-	(674)
OPERATING PROFIT	**(234)**	**1,510**	**63**	**1,339**
Share of profits of equity-accounted companies	-	688	1	690
Net gain or loss on other assets	(1)	(1,589)	90	(1,500)
Changes in the value of goodwill	-	4,578	-	4,578
PRE-TAX PROFIT	**(235)**	**5,187**	**155**	**5,107**
Income tax	21	(420)	(20)	(419)
NET PROFIT	**(214)**	**4,767**	**135**	**4,688**
Non-controlling interests	1	491	41	533
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**(215)**	**4,276**	**94**	**4,155**

2019 net profit by business segment (excluding the cost of equity for each segment)

	2019			
(in € millions)	Retail Banking	Insurance	Asset management	Total
NET BANKING INCOME	**5,241**	**251**	**155**	**5,647**
General operating expenses	(4,227)	(125)	(88)	(4,441)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(239)	(7)	(5)	(251)
GROSS OPERATING PROFIT	**775**	**118**	**63**	**955**
Cost of risk	(178)	0	-	(178)
OPERATING PROFIT	**596**	**118**	**63**	**777**
Share of profits of equity-accounted companies	-	276	6	282
Net gain or loss on other assets	0	0	-	0
Changes in the value of goodwill	-	-	-	-
PRE-TAX PROFIT	**596**	**394**	**69**	**1,059**
Income tax	(212)	(40)	(21)	(273)
NET PROFIT	**384**	**354**	**48**	**786**
Non-controlling interests	1	(8)	12	5
NET PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT	**383**	**362**	**35**	**780**

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12.2 Balance sheet items by business segment

Balance sheet items by business segment at 31 December 2020

	31 Dec. 2020				
(in € millions)	Retail Banking	Insurance	Asset management	Inter-segment eliminations	Total
SEGMENT ASSETS					
Cash, central banks	1,783	0	-	-	1,783
Financial assets at fair value through profit or loss	7,995	187,678	99	-	195,772
Hedging derivatives	1,443	-	-	-	1,443
Financial assets at fair value through other comprehensive income	21,982	216,883	13	(8,099)	230,779
Securities at amortised cost	23,863	155	-	-	24,018
Loans and advances to credit institutions at amortised cost	112,704	1,862	86	(167)	114,484
Loans and advances to customers at amortised cost	125,247	2,350	-	(2,342)	125,255
Revaluation differences on portfolios hedged against interest rate risks	220	-	-	-	220
Accruals and other assets	2,962	29,273	65	(392)	31,907
Investments in equity-accounted companies	-	527	170	-	696
Goodwill	-	94	61	-	156
SEGMENT LIABILITIES					
Financial liabilities at fair value through profit or loss	2,188	1,233	-	-	3,421
Hedging derivatives	684	79	-	-	763
Liabilities due to credit institutions	33,396	124	17	(3)	33,533
Customer deposits	218,932	13,958	8	(2,505)	230,393
Debt securities	21,639	-	-	0	21,639
Revaluation differences on portfolios hedged against interest rate risks	726	-	-	-	726
Accruals and other liabilities	4,177	17,686	151	(392)	21,622
Insurance company technical provisions	-	379,830	-	-	379,830
Subordinated debt	2,823	7,364	-	-	10,187

Balance sheet items by business segment at 31 December 2019

(in € millions)	31 Dec. 2019				
	Retail Banking	Insurance	Asset management	Inter-segment eliminations	Total
SEGMENT ASSETS					
Cash, central banks	22,412	-	-	-	22,412
Financial assets at fair value through profit or loss	10,313	435	157	-	10,905
Hedging derivatives	1,488	-	-	-	1,488
Financial assets at fair value through other comprehensive income	14,567	2,234	18	(1,761)	15,059
Securities at amortised cost	28,068	-	-	-	28,068
Loans and advances to credit institutions at amortised cost	70,636	57	10	(68)	70,635
Loans and advances to customers at amortised cost	113,636	-	-	(8)	113,628
Revaluation differences on portfolios hedged against interest rate risks	207	-	-	-	207
Accruals and other assets	2,542	816	51	(94)	3,314
Investments in equity-accounted companies	-	3,538	54	-	3,592
Goodwill	-	94	66	-	160
SEGMENT LIABILITIES					
Financial liabilities at fair value through profit or loss	1,587	-	-	-	1,587
Hedging derivatives	591	-	-	-	591
Liabilities due to credit institutions	30,695	8	-	12	30,715
Customer deposits	191,092	-	12	(88)	191,016
Debt securities	23,739	-	-	0	23,739
Revaluation differences on portfolios hedged against interest rate risks	839	-	-	-	839
Accruals and other liabilities	4,868	375	123	(94)	5,272
Insurance company technical provisions	-	2,552	-	-	2,552
Subordinated debt	3,097	-	-	-	3,097

12.3 Results by geographic segment

2020 results by geographic segment

(in € millions)	31 Dec. 2020			
	France	Latin America	Europe excluding France	Total
NET BANKING INCOME	**6,738**	**729**	**258**	**7,724**
SEGMENT ASSETS				
Cash, central banks	1,783	0	0	1,783
Financial assets at fair value through profit or loss	165,764	15,073	14,935	195,772
Hedging derivatives	1,443	-	-	1,443
Financial assets at fair value through other comprehensive income	225,272	103	5,404	230,779
Securities at amortised cost	23,874	145	-	24,018
Loans and advances to credit institutions at amortised cost	113,748	65	671	114,484
Loans and advances to customers at amortised cost	121,363	-	3,892	125,255
Revaluation differences on portfolios hedged against interest rate risks	220	-	-	220
Accruals and other assets	29,483	999	1,425	31,907
Investments in equity-accounted companies	678	18	-	696
Investment properties	3,007	19	58	3,083
Goodwill	156	-	-	156

2019 results by geographic segment

(in € millions)	31 Dec. 2019			
	France	Latin America	Europe excluding France	Total
NET BANKING INCOME	**5,647**	**-**	**-**	**5,647**
SEGMENT ASSETS				
Cash, central banks	22,412	-	-	22,412
Financial assets at fair value through profit or loss	10,905	-	-	10,905
Hedging derivatives	1,488	-	-	1,488
Financial assets at fair value through other comprehensive income	15,059	-	-	15,059
Securities at amortised cost	28,068	-	-	28,068
Loans and advances to credit institutions at amortised cost	70,635	-	0	70,635
Loans and advances to customers at amortised cost	109,726	-	3,902	113,628
Revaluation differences on portfolios hedged against interest rate risks	207	-	-	207
Accruals and other assets	3,314	-	-	3,314
Investments in equity-accounted companies	3,592	-	-	3,592
Investment properties	-	-	-	-
Goodwill	160	-	-	160

NOTE 13 RELATED PARTY DISCLOSURES

The parties related to La Banque Postale Group include the main managers and the companies consolidated by the La Poste and Caisse des Dépôts groups, as well as the companies jointly controlled by La Banque Postale Group or over which it exercises significant influence.

13.1 Relationships between consolidated entities

As transactions between La Banque Postale Group's fully consolidated subsidiaries are eliminated in consolidation, the data provided below only concern intra-group transactions with jointly controlled companies, for the portion not eliminated in consolidation, and companies over which it exercises significant influence.

	31 Dec. 2020			
			With La Banque Postale Group entities	
(in € millions)	With CDC Group entities[1]	With La Poste Group entities[2]	Jointly controlled	Equity accounted
Interest	912	0	-	-
Fees and commissions	27	16	-	99
Net gain or loss on financial instruments at fair value through profit or loss	7	15	-	109
Income from other activities	0	27	-	25
Expenses from other activities	-	(25)	-	(442)
Net banking income from transactions with related parties	**946**	**32**	**-**	**(210)**
General operating expense transactions with related parties	**(10)**	**(2,799)**	**-**	**(2)**
Financial assets at fair value through profit or loss	66	59	-	-
Other assets	68,616	458	-	18
Assets with related parties	**68,682**	**518**	**-**	**18**
Payables	111	600	-	-
Other financial liabilities	17	84	-	-
Other liabilities	56	108	-	6,471
Liabilities with related parties	**184**	**792**	**-**	**6,471**
Commitments given	1,645	1,050	-	-
Commitments received	-	-	-	-

(1) Corresponding for the most part to transactions with the savings funds managed by Caisse des Dépôts.
(2) Almost exclusively transactions with La Poste.

13.2 Management remuneration

The members of the Executive Board and the General Management Committee are related parties within the meaning of IAS 24. Executive Board membrs do not have a contract of employment with La Banque Postale and do not receive any remuneration other than for their services as corporate officers. Similarly, they receive no remuneration as members of the governance bodies of La Banque Postale Group subsidiaries.

Philippe Heim is paid a salary under his employment contract with La Poste covering his position as head of the La Poste Financial Services Division (Financial Centres). His appointment to this position (as well as being Chairman of La Banque Postale's Executive Board) was necessary due to the fact that La Poste's primary role is that of a public provider of postal services.

The annual remuneration packages of the members of the Executive Board comprise a fixed component and a capped variable component, except for the Chairman of the Executive Board, whose total compensation is fixed.

The total gross compensation paid to members of the Executive Board was €2.432 million in 2020 and €1.857 million in 2019.

The remuneration packages of the members of the General Management Committee, with the exception of the members of the Executive Board and the members paid by La Poste, are presented below:

(in € millions)	2020	2019
Remuneration and benefits in kind	7.92	6.87
Post-employment benefits	1.06	1.04
TOTAL	**8.98**	**7.91**

They may also be entitled to a termination benefit in the event that their appointment at La Banque Postale is terminated.

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NOTE 14 STATUTORY AUDITORS' FEES FOR THE 2020 FINANCIAL YEAR

	2020					
	Statutory auditors of La Banque Postale					
	Pricewaterhouse Coopers Audit		KPMG		Mazars	
(in € millions, excluding taxes)	Amount	%	Amount	%	Amount	%
Statutory audit of the Company and consolidated financial statements	**4.15**	**85%**	**1.86**	**91%**	**1.98**	**83%**
Parent company	0.70	14%	0.79	38%	-	0%
Subsidiaries	3.46	71%	1.07	52%	1.98	83%
Services other than the statutory audit of the financial statements	**0.72**	**15%**	**0.19**	**9%**	**0.40**	**17%**
Parent company	0.05	1%	0.06	3%	-	0%
Subsidiaries	0.67	14%	0.13	7%	0.40	17%
TOTAL	**4.87**	**100%**	**2.05**	**100%**	**2.38**	**100%**

NOTE 15 SCOPE OF CONSOLIDATION

Companies	Registered office: City/Country	31 Dec. 2020 Method[1]	% Voting rights	% Interest	31 Dec. 2019 Method	% Voting rights	% Interest
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 Consumer Finance	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 BV	Amsterdam – Netherlands	FULL	100.00	100.00	FULL	100.00	100.00
LBP Dutch Mortgage Portfolio 2 BV	Amsterdam – Netherlands	FULL	100.00	100.00	FULL	100.00	100.00
Ma French Bank	Paris – France	FULL	100.00	100.00	FULL	100.00	100.00
LBP Immobilier Conseil	Paris – France	FULL	100.00	100.00	NC	-	-
INSURANCE							
CNP Assurances[3]	Paris – France	FULL	68.51	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	100.00	41.48	-	-	-
Assuristance	Paris – France	EQUITY	66.00	41.48	-	-	-
Écureuil Vie Développement	Paris – France	EQUITY	49.00	30.79	-	-	-
Assurbail 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	51.75	32.52	-	-	-
Caixa Saguradora	Brasilia – Brazil	FULL	51.75	32.52	-	-	-
Caixa Capitalização	Brasilia – Brazil	FULL	51.00	16.58	-	-	-
Caixa Vida e Previdência	Brasilia – Brazil	FULL	51.75	25.14	-	-	-
Caixa Consórcios	Brasilia – Brazil	FULL	51.75	32.52	-	-	-
Caixa Assessoria e Consultoria	Brasilia – Brazil	FULL	51.75	32.52	-	-	-
Caixa Saúde SA	São Paulo – Brazil	FULL	51.75	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	51.75	32.52	-	-	-
Wiz Soluçoes e Corretagem de Seguros SA	Brasilia – Brazil	EQUITY	25.00	8.13	-	-	-

		31 Dec. 2020			31 Dec. 2019		
Companies	**Registered office: City/Country**	**Method[1]**	**% Voting rights**	**% Interest**	**Method**	**% Voting rights**	**% Interest**
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	42.47	26.69	-	-	-
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	62.75	-	-	-
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	-	-	-
Écureuil Profil 90	Paris – France	FULL	56.83	35.71	-	-	-
Vivaccio ACT 5DEC	Paris – France	FULL	100.00	62.84	-	-	-
LBPAM Court Terme	Paris – France	FULL	100.00	62.84	-	-	-
CNP Assur Trésorerie Plus	Paris – France	FULL	98.13	61.67	-	-	-
OPCVM Caixa Seguradora SA	Brasilia – Brazil	FULL	100.00	32.52	-	-	-
OPCVM Caixa Capitalizaçao SA	Brasilia – Brazil	FULL	100.00	16.58	-	-	-
OPCVM Caixa Vida & Previdência SA	Brasilia – Brazil	FULL	100.00	25.14	-	-	-
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'Électricité[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	-	-	-
XS2 Vida e Previdencia SA	Brasilia – Brazil	FULL	100.00	25.14	-	-	-
Holding XS 1 SA	Brasilia – Brazil	FULL	100.00	25.14	-	-	-
Infra Invest	Luxembourg – Luxembourg	FULL	100.00	62.84	-	-	-

Companies	Registered office: City/Country	31 Dec. 2020 Method[1]	% Voting rights	% Interest	31 Dec. 2019 Method	% Voting rights	% Interest
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[5]	Paris – France	NC	-	-	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							
La Banque Postale Asset Management Holding	Paris – France	FULL	70.00	70.00	NC	-	-
La Banque Postale Asset Management[6]	Paris – France	NC	-	-	FULL	70.00	70.00
La Banque Postale Asset Management[7]	Paris – France	FULL	100.00	70.00	NC	-	-
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
Ostrum Asset Management	Paris – France	EQUITY	45.00	31.50	NC	-	-
AEW SA	Paris – France	EQUITY	40.00	40.00	EQUITY	40.00	40.00

(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 offices.

(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'Électricité (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) Entity merged into SF2 on 15 December 2020.

(6) This entity was merged into Ostrum Asset Management as part of the project to merge the primarily insurance-related fixed income management businesses of La Banque Postale and Natixis (see Note 1.1 "Significant events of the period").

(7) This is the former "Sèvres LBP 2" entity, which was not consolidated in 2019. As part of the project to merge the primarily insurance-related fixed income management activities of La Banque Postale and Natixis, it acquired a complete line of business from LBP Asset Management (which was subsequently merged into Ostrum Asset Management). Once the transaction was completed, Sèvres LBP 2 was renamed "La Banque Postale Asset Management" and consolidated by La Banque Postale.

Companies excluded from the consolidation scope

The entities listed below are excluded from the consolidation scope because they do not fulfil any of the three materiality criteria (percentage contribution to total consolidated assets, percentage contribution to consolidated net banking income, percentage contribution to consolidated net profit) and also in light of their long term financial trajectories.

Companies	Registered office: City/Country	Share of capital (percentage)
RETAIL BANKING AND ASSET MANAGEMENT		
Auxiliaire de Transaction Immobilière	Paris – France	100.00%
Domiserve	Montrouge – France	100.00%
Ezyness	Paris – France	100.00%
KissKissBankBank	Paris – France	100.00%
LBP AM Private Debt GP Lux	Luxembourg – Luxembourg	100.00%
LBP International	Paris – France	100.00%
LBP Protection	Paris – France	100.00%
Suffren Ré	Paris – France	100.00%
Transactis	Courbevoie – France	50.00%
INSURANCE		
23-25 Marignan SAS	Paris – France	100.00%
270 Investments	Paris – France	100.00%
36 Marbeuf SAS	Paris – France	100.00%
5/7 rue scribe	Paris – France	100.00%
83 Avenue Bosquet	Paris – France	100.00%
Age d'Or Expansion	Troyes – France	100.00%
Alpinvest feeder (euro) v c.v.	Amsterdam – Netherlands	99.98%
Assurécureuil Pierre	Paris – France	99.99%
Assurécureuil Pierre 2	Paris – France	100.00%
Assurécureuil Pierre 5	Paris – France	100.00%
Assurécureuil Pierre 7	Paris – France	99.99%
Avenir Santé	Paris – France	100.00%
Axe France	Paris – France	50.00%
Azimut	Paris – France	88.67%
Baudry Ponthieu	Paris – France	99.91%
Bercy Crystal	Paris – France	100.00%
Cartera Pbtamsi	Madrid – Spain	100.00%
Canopee	Paris – France	99.98%
CBPE Capital VIII Special Investors	London – United Kingdom	100.00%
Cicoge	Paris – France	100.00%
CL (Mesa Geitonia) Properties LTD	Nicosia – Cyprus	100.00%
Cl Archangelos Properties Ltd	Nicosia – Cyprus	100.00%
CNP Formation	Paris – France	100.00%
CNP Loans Infra Compartment CLI 123 Soleil	Pantin – France	100.00%
CNP Loans Infra Compartment Cli n°7 Siroco	Pantin – France	100.00%
CNP Private Equity for Personal Savings	Paris – France	100.00%
CNP Short Term Inflation	Paris – France	100.00%
CNP Sviluppo SRL	Milan – Italy	100.00%
CNP Technologies de l'Information	Paris – France	99.80%
CNP UC Immo	Paris – France	99.94%
Cœur Méditerranée	Paris – France	70.00%
Cottages du Bois aux Daims	Paris – France	100.00%
Diwise	Paris – France	100.00%
Domaine de Lancosme	Vendoeuvres – France	80.00%
Écureuil Vie Investment	Paris – France	100.00%
EIG Energy Transition Fund SCSp	Luxembourg – Luxembourg	55.56%
École Rambouillet	Paris – France	100.00%
Equinox	Paris – France	99.99%

Companies	Registered office: City/Country	Share of capital (percentage)
Europe Properties Investments	Neuilly-sur-Seine – France	100.00%
Farman	Paris – France	50.00%
Farmoric	Puteaux – France	100.00%
Filassistance Services	Paris – France	100.00%
Filassistance solutions	Saint-Cloud – France	100.00%
Foncière CNP	Paris – France	100.00%
Foncière ELBP	Paris – France	100.00%
Foncière HID	Paris – France	100.00%
FPIP	Paris – France	100.00%
FSN Capital IV (B) LP	Oslo – Norway	100.00%
Galaxie 33	Paris – France	100.00%
GCK	Luxembourg – Luxembourg	80.00%
Geosud	Rueil Malmaison – France	98.00%
GF de la forêt de Nan	Paris – France	100.00%
Green Quartz	Paris – France	99.99%
Green Rueil	Paris – France	50.00%
Habimmo	Paris – France	99.99%
Holdipierre	Paris – France	100.00%
ICV	Paris – France	99.90%
Immaucom	Paris – France	80.00%
Infra Invest Holding	Paris – France	99.90%
Infra-invest 2	Paris – France	100.00%
Infra-Invest France	Paris – France	100.00%
Infrastructure Partners (Morgan Stanley)	Paris – France	64.94%
Ireland Property Investment Fund	Dublin – Ireland	100.00%
Issy Ilot 13	Paris – France	50.00%
Issy Vivaldi	Paris – France	100.00%
Jasmin	Paris – France	99.95%
Jesco	Paris – France	55.00%
Kleber 46 Holding	Paris – France	100.00%
Kureck	Paris – France	100.00%
Laiki Brokers (Insurance & Consultancy Services) Ltd	Nicosia – Cyprus	100.00%
Laiki Insurance Agencies Ltd	Nicosia – Cyprus	100.00%
LBPAM European infrastructure Debt Fund 2	Paris – France	55.19%
LBPAM European Real Estate Debt Fund 2	Paris – France	50.00%
LBPAM European Real Estate Debt Fund 3	Paris – France	76.13%
LBPAM Fct European Debt Funds Compartiment Montparnasse Infrastructure Debt	Paris – France	100.00%
LBPAM Fct European Debt Funds Compartiment Montparnasse Real Estate Debt	Paris – France	100.00%
LBPAM Private Debt SCS RAIF – Lbpam European Responsible Infrastructure Debt Fund	Paris – France	54.35%
LCYL Dramas Properties Limited	Nicosia – Cyprus	100.00%
LCYL Karpenisiou Properties Limited	Nicosia – Cyprus	100.00%
LCYL Kiti Properties Limited	Nicosia – Cyprus	100.00%
LCYL Properties Limited	Nicosia – Cyprus	100.00%
Lesly	Paris – France	100.00%
Liberté	Paris – France	50.00%
Lux Gare	Paris – France	100.00%
Lyfe	Paris – France	100.00%
Montagu IV (Scots Feeder)	London – United Kingdom	100.00%
Montparnasse Debt Fund 2 – Compartiment Infrastructure	Paris – France	100.00%
Montparnasse Debt Fund 2 – Compartiment Real Estate	Paris – France	100.00%
Montparvie IV	Paris – France	100.00%

Companies	Registered office: City/Country	Share of capital (percentage)
Montper Entreprises Limited	Nicosia – Cyprus	100.00%
Natixis FCT Montparnasse Dette Privée Compartiment Montparnasse Placement Privé	Paris – France	100.00%
Naturim	Levallois-Perret – France	100.00%
Neuilly Pilot	Paris – France	100.00%
New Side	Paris – France	100.00%
Open CNP	Paris – France	100.00%
Ofelia	Paris – France	66.66%
One Cologne	Paris – France	100.00%
Orea	Paris – France	100.00%
Pantin Logistique	Paris – France	100.00%
Paris 08	Paris – France	100.00%
Passage du Faidherbe	Paris – France	100.00%
Pays-Bas Retail 2013 BV	Amsterdam – Netherlands	100.00%
Pial 34	Paris – France	100.00%
Pierre et Labruyère	Paris – France	100.00%
Pierre Quentin Bauchard	Paris – France	99.99%
Pyramides 1	Paris – France	100.00%
Residavout	Paris – France	100.00%
Residential	Paris – France	100.00%
RSS Immo	Paris – France	99.99%
Rue du Bac	Paris – France	50.00%
Rueil Newton	Paris – France	50.00%
SA le Marquis	Paris – France	60.00%
Saphirimmo	Paris – France	100.00%
SAS Pyramides 2	Paris – France	100.00%
SAS Richelieu Vivienne	Paris – France	50.00%
Schroder Compartment IALA	Paris – France	100.00%
SCI Assurécureuil Pierre 8	Paris – France	100.00%
SCI de la CNP	Paris – France	100.00%
SCI Holdihealth Europe	Paris – France	100.00%
SCI Lauriston	Paris – France	100.00%
SCI Les Chevrons	Paris – France	51.51%
SCI Max	Paris – France	100.00%
Secrets et Boétie	Paris – France	100.00%
Silk Holding	Paris – France	100.00%
SMCA	Paris – France	50.00%
Sogestop L	Paris – France	50.00%
Sonne	Neuilly-sur-Seine – France	99.95%
Taunus	Paris – France	100.00%
Terre Neuve 4 Immo	Paris – France	100.00%
Theemim	Paris – France	100.00%
US Real Estate 270 SAS	Paris – France	100.00%
US Real Estate EVJ SAS	Paris – France	100.00%
Vendome Europe	Paris La Défense – France	50.00%
Victor Hugo 147	Paris – France	99.98%
Wagram 92	Paris – France	100.00%
Woodland Invest	Paris – France	100.00%
Ybry Pont de Neuilly	Paris – France	100.00%
Yellowalto	Puteaux – France	100.00%
Youse Home	Paris – France	100.00%
Youse Seguradora SA	Brasília – Brazil	100.00%

NOTE 16 IFRS 12: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

This note presents the disclosures concerning subsidiaries and structured entities required by IFRS 12.

16.1 Consolidated entities

The consolidated financial statements of La Banque Postale Group include the financial statements of entities over which the Group exercises direct control, joint control or significant influence within the meaning of IFRS 10, IFRS 11 and IAS 28.

The definition of the scope of consolidation and the Group's consolidation methods are presented in Note 2 "Summary of significant accounting policies".

16.1.1 Restrictions on controlled entities

Statutory, contractual or regulatory restrictions may limit the Group's ability to freely access certain assets or freely transfer certain assets to or from other Group entities or to use them and settle the Group's liabilities.

The following points have also been identified:

- the Group has delivered or has committed to delivering securities under collateralised repurchase agreements and pledged securities in favour of the European Central Bank and Crédit Logement (see Note 5.14 and Note 9);
- the Group has pledged home loans in favour of the holders of covered bond issued by the Group's home loan company, La Banque Postale Home Loan SFH (see Note 9);
- the Group has granted capital and performance guarantees to holders of units in investment funds orginated by the Group (see Note 5.14 and Note 9);
- concerning the insurance activities, the Group sets aside income from insurance investments in a deferred participation reserve in liabilities (shadow accounting adjustment), and concerning its reinsurance activities, the Group either pays or receives deposits in the form of cash or securities (see Note 7 and Note 5.18).

16.1.2 Non-controlling interests

Non-controlling interests represent the interests in fully-consolidated subsidiaries or sub-groups that is not attributable either directly or indirectly to the Group.

Summary financial information is provided for subsidiaries or sub-groups on a 100% basis, including purchase price allocations and before the elimination of intra-group transactions.

The following table presents information on subsidiaries or sub-groups in which non-controlling interests represent material amounts in relation to the Group's total equity, or the total equity of the sub-group.

	31 Dec. 2020								
	Non-controlling interests					Summary financial information for subsidiaries			
(in € millions)	Percentage of voting rights held by non-controlling interests	Percentage interest held by non-controlling interests	Net profit for the period attributable to non-controlling interests	Reporting date equity attributable to non-controlling interests	Dividends paid to non-controlling interests	Total assets	Equity	Net banking income	Net profit
CNP Assurances group	31%	37%	484	12,741	540	443,569	24,176	2,309	1,020
Other entities			48	113	12				
TOTAL			**533**	**12,854**	**552**				

16.1.3 Consolidated structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. This is the case, for example, when the relevant activities are directed by means of contractual arrangements. Structured entities generally have a narrow and well-defined objective and restricted activities.

Consolidated structured entities include:

- collective investment undertakings (OPC/FCP funds) managed by Group subsidiaries as part of its banking business, or that are held in policyholder and own-fund portfolios;
- securitisation funds whose units are issued by structured entities. They are designed to diversify the underlying credit risk and may be organised by tranche.

16.1.4 Partnerships and associates

Significant partnerships

At 31 December 2020, the Group had three significant partnerships: Arial CNP Assurances, Holding d'Infrastructures Gazières and Ostrum Asset Management.

Arial CNP Assurances

The Group holds 40% of the capital of Arial CNP Assurances (ACA) and controls this company jointly with AG2R-La Mondiale. ACA's corporate purpose is the design, distribution and management of employee retirement savings plans and employee benefit plans. It is accounted for using the equity method.

Holding d'Infrastructures Gazières

The Group holds 54.41% of the capital of Holding d'Infrastructures Gazières and controls this company jointly with Caisse des Dépôts. This holding company in turn owns 25% of the capital of GRTgaz, a company specialised in transporting natural gas. It is accounted for using the equity method.

Ostrum Asset Management

Ostrum Asset Management is 55%-owned by Natixis group and 45% by La Banque Postale Group. As a leading manager of insurance-related fixed income securities, Ostrum Asset Management has two separate service offers – asset management and investment services (see Note 1.1.5 "Merger of the primarily insurance-related fixed income management activities of La Banque Postale and Natixis subsidiaries").

Significant associates

AEW SA is the Group's only significant associate.

AEW SA

La Banque Postale Group has a 40% interest in AEW SA, alongside Natixis (through its Natixis Investment Managers subsidiary). AEW SA is one of the world's biggest property portfolio management companies with a wide range of investment products.

Financial disclosures concerning partnerships and associates are provided in Note 5.10 "Investments in equity-accounted companies".

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16.2 Unconsolidated structured entities

The following disclosures concern entities structured but not controlled by the Group. They are organised by group of entities with the same or similar businesses: securitisation, mutual funds and other activities.

Securitisation

Securitisation covers securitisation funds and similar structures that issue financial instruments with inherent credit risk that may be acquired by investors and may be organised in tranches. Securisation is a financial technique that converts receivables that are generally illiquid and held to maturity, into negotiable liquid securities. The purpose of securitisation is to:

- convert illiquid portfolios into liquid securities;
- make it easier to raise funds on more attractive terms (refinancing vehicle);
- enhance risk management by transferring risk to the investor;
- transfer credit risk and its components (interest rate, liquidity risk, etc.) and reduce capital requirements;
- restructure the balance sheet (ALM instrument).

Mutual funds

This activity seeks to meet investor demand by:

- managing funds via structured entities such as collective investment undertakings, real estate investment funds or equivalent vehicles;
- investing insurance premiums received by insurers from policyholders in accordance with the regulatory provisions of the French Insurance Code. The insurance companies' asset portfolios guarantee their ability to fulfil their obligations towards policyholders throughout the life of the insurance policy and both the value of the investments and the investment yield are correlated to the related obligations.

Other activities

This category covers all other activities.

16.2.1 Interests in non-consolidated structured entities

The Group's interest in a non-consolidated structured entity concerns contractual or non-contractual ties that expose it to a risk of variable returns linked to the entity's performance. Its interest may be in the form of equity instruments or debt securities but may also take the form of a loan, a cash facility, credit enhancement or the provision of collateral or structured derivatives.

The following table provides cumulative information by activity about all entities in which the Group has unrestricted interests:

	31 Dec. 2020		
(in € millions)	**Securitisation**	**Mutual funds**	**Other**
Financial assets at fair value through profit or loss	5,000	94,732	125
Hedging derivatives	-	-	-
Financial assets at fair value through other comprehensive income	104	15	-
Financial assets at amortised cost	-	89	2,538
Total recognised assets in non-consolidated structured entities	**5,105**	**94,835**	**2,663**
Provisions	-	0	-
Total recognised liabilities in non-consolidated structured entities	**-**	**0**	**-**
Financing commitments given	-	8	225
Guarantee commitments given	-	-	-
Maximum loss exposure	**5,105**	**94,843**	**2,888**
Guarantees received and other credit enhancements	-	-	-
Net loss exposure	**5,105**	**94,843**	**2,888**

The maximum loss exposure corresponds to the interests recognised in assets and commitments given, less provisions for liabilities and charges recognised in liabilities, less guarantees received.

The maximum loss exposure is, in most cases, limited to units held in funds, with the exception of funds in which La Banque Postale guarantees capital and performance.

16.2.2 Disclosures concerning non-consolidated structured entities sponsored by the Group

Non-consolidated structured entities sponsored by the Group are funds structured by a management company controlled by the Group, notably funds managed by La Banque Postale Asset Management.

A structured entity is considered to be sponsored by the Group when its name includes either the name of the Group or one of its subsidiaries.

Income received by the Group from these entities amounted to €112 million for the year ended 31 December 2020 and consisted mainly of non-recurring commission.

NOTE 17 IDENTIFICATION DETAILS OF NON-CONSOLIDATED EQUITY INVESTMENTS

Non-consolidated equity investments in which the Group has an interest of between 10% and 49.99% are shown in the following table.

(in € millions)	Registered office: City/Country	% interest	Currency	Last published equity	Last published net profit/(loss)	Date of most recent financial statements
RETAIL BANKING AND ASSET MANAGEMENT						
IZNES	Paris – France	13.20%	EUR	NC	NC	NC
Mandarine Gestion	Paris – France	11.95%	EUR	49.22	7.23	31.12.2019
Paylib	La Garenne Colombes – France	16.67%	EUR	2.76	0.23	31.12.2019
SG FGAS	Paris – France	14.30%	EUR	1.03	0.01	31.03.2019
SOLFIZ	Nantes – France	20.00%	EUR	0.19	0.00	30.09.2020
INSURANCE(1)						
17 Capital Fund 3	London – United Kingdom	10.04%	EUR	NC	NC	NC
Aeam Dutch Mortgage Fund 2	The Hague – Netherlands	16.40%	EUR	NC	NC	NC
Allianz Euro Core Infrastructure Debt Fund SCSP	Paris – France	10.71%	EUR	NC	NC	NC
Alpinvest Secondaries Fund Lux Euro Master VI	Amsterdam – Netherlands	22.47%	EUR	NC	NC	NC
Alven Capital IV Opportunity F	Paris – France	12.99%	EUR	NC	NC	NC
August Equity Partners III A	London – United Kingdom	10.00%	GBP	NC	NC	NC
Aviva Investors Alternatives FCP RAIF – Aviva Investors European Infrastructure Debt Strategy	Luxembourg – Luxembourg	11.90%	EUR	NC	NC	NC
Aviva Investors European Secondary Infrastructure Credit	Paris – France	16.67%	EUR	NC	NC	NC
Axa Infrastructure Partners	Paris – France	12.90%	EUR	7.74	2.09	31.12.2018
Babylon Investments BV	Amsterdam – Netherlands	44.44%	EUR	137.89	25.36	31.12.2019
BNP Paribas European SME Debt Fund	Paris – France	15.00%	EUR	NC	NC	NC
BNP Paribas European SME Debt Fund 2	Paris – France	14.23%	EUR	NC	NC	NC
BNP Paribas Global Senior Corporate Loans	Paris – France	36.41%	EUR	NC	NC	NC
BNP Paribas Novo 2018	Paris – France	15.15%	EUR	NC	NC	NC
CDC Capital III	Paris – France	37.43%	EUR	NC	NC	NC
CDC Capital III b	Paris – France	47.25%	EUR	NC	NC	NC
Certivia SICAV	Paris – France	13.33%	EUR	86.85	(1.78)	31.12.2019
Clearsight Turnaround Fund II	St Peter Port – Guernsey – United Kingdom	15.63%	EUR	NC	NC	NC
Clearsight Turnaround Fund III	Pfäffikon – Switzerland	11.01%	EUR	NC	NC	NC
Clearsight Turnaround Fund IV	Pfäffikon – Switzerland	10.00%	EUR	NC	NC	NC
CM-CIC Debt Fund 3	Paris – France	12.22%	EUR	NC	NC	NC
Credicoop AFAVyDC	Buenos Aires – Argentina	29.84%	EUR	(10.30)	(0.09)	30.06.2020
CTE	Paris – France	20.00%	EUR	3.46	0.63	31.12.2019
DBAG FUND VI FEEDER GMBH & CO KG	Frankfurt am Main – Germany	26.56%	EUR	NC	NC	NC
Dèfense cb3	Paris – France	25.00%	EUR	92.45	(7.79)	31.12.2020
Eiffel Impact Debt	Paris – France	11.73%	EUR	NC	NC	NC
EMZ 7-I	Paris – France	11.90%	EUR	NC	NC	NC
FLI	Paris – France	11.48%	EUR	1,025.36	1.08	31.12.2019
FLI 2	Paris – France	11.03%	EUR	14.13	(0.57)	31.12.2019
Fonciere Écureuil II	Paris – France	21.77%	EUR	24.09	3.07	31.12.2020
Fonds De Fonds Growth	Maison-Alfort – France	10.75%	EUR	NC	NC	NC

(1) Investments with a carrying amount in excess of 1% of CNP Assurances' share capital.

(in € millions)	Registered office: City/Country	% interest	Currency	Last published equity	Last published net profit/(loss)	Date of most recent financial statements
Fonds Nov Sante Actions Non Cotees Assureurs – Caisse des Depots Relance Durable France	Paris – France	11.19%	EUR	NC	NC	NC
Fonds Nov Tourisme Actions Non Côtées	Paris – France	11.76%	EUR	NC	NC	NC
GF France Est	Paris – France	28.97%	EUR	28.91	0.12	31.12.2019
Hemisphere Holding	Paris – France	20.00%	EUR	58.06	3.04	31.12.2019
Infrastructure Finance SCS SIF – European Infra Senior 1 Compartment	Luxembourg – Luxembourg	10.58%	EUR	NC	NC	NC
Initiative & Finance II	Paris – France	11.43%	EUR	NC	NC	NC
Invision v Feeder	Zug – Switzerland	23.38%	EUR	NC	NC	NC
LAC I SLP	Maison-Alfort – France	11.00%	EUR	NC	NC	NC
Latour Co-Invest Hygee	Paris – France	26.27%	EUR	NC	NC	NC
LBPAM European Debt Funds Compartiment Immobilier Real Estate FCT 1	Paris – France	48.33%	EUR	NC	NC	NC
LBPAM FCT European Debt Funds Compartiment Infrastructure FCT 1	Paris – France	48.70%	EUR	NC	NC	NC
Lyxor Dette midcap	Paris La Défense – France	24.15%	EUR	NC	NC	NC
Lyxor Dette midcap II	Paris La Défense – France	33.33%	EUR	NC	NC	NC
Meridiam Infrastructure	Luxembourg – Luxembourg	19.03%	EUR	1,498.25	89.31	31.12.2019
Meridiam Transition	Paris – France	42.86%	EUR	371.01	1.77	NC
October SME III	Pantin – France	10.00%	EUR	NC	NC	NC
Ofelia	Paris – France	33.33%	EUR	36.32	2.81	31.12.2020
Office CB 21	Paris – France	25.00%	EUR	378.23	10.20	31.12.2019
OPC 1	Paris – France	19.67%	EUR	31.17	2.39	31.12.2020
OPC 2	Paris – France	42.15%	EUR	81.59	2.50	31.09.2020
Partech Growth	Paris – France	14.40%	EUR	NC	NC	NC
Partech International VI	Paris – France	10.00%	EUR	NC	NC	NC
PBW II Real Estate Fund	Luxembourg – Luxembourg	14.57%	EUR	11.75	(0.09)	30.09.2020
Polaris Private Equity IV	Copenhagen – Denmark	10.00%	DKK	NC	NC	NC
Purple Private Debt SCS RAIF – Essential Infra Debt Fund	Paris – France	25.21%	EUR	NC	NC	NC
Pyramides 1	Paris – France	45.00%	EUR	24.83	1.31	31.12.2020
Quadrille Technologies III	Paris – France	11.11%	EUR	NC	NC	NC
SCPI Pierre Plus	Paris – France	10.18%	EUR	630.84	28.24	31.12.2019
Senior European Loan Fund 1	Luxembourg – Luxembourg	46.40%	EUR	NC	NC	NC
Senior European Loan Fund 2	Luxembourg – Luxembourg	31.88%	EUR	NC	NC	NC
Senior European Loan Fund 3	Luxembourg – Luxembourg	37.74%	EUR	NC	NC	NC
Silverstone	Paris – France	19.61%	EUR	87.10	(0.20)	31.12.2019
Societe du Centre Commercial De La Défense	Paris – France	22.00%	EUR	84.76	81.71	31.12.2019
Sofinnova Capital VII	Paris – France	10.00%	EUR	NC	NC	NC
Sofinnova Capital VIII	Paris – France	10.42%	EUR	NC	NC	NC
Sofinnova Crossover ISLP	Paris – France	28.73%	EUR	NC	NC	NC
Sofiproteol Dette Privee	Paris – France	14.63%	EUR	NC	NC	NC
Sunlight	Paris – France	46.98%	EUR	87.98	1.20	31.12.2020
Tikehau Novo 2018	Paris – France	14.16%	EUR	NC	NC	NC
Trilantic capital partners V (Europe)	New-York – United States	12.77%	EUR	NC	NC	NC

5.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of statutory auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

LA BANQUE POSTALE

115, rue de Sèvres

CP S202

75275 Paris Cedex 06, France

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of La Banque Postale for the year ended 31 December 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Financial Statements Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the statutory auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for statutory auditors, for the period from 1 January 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Provisions for credit risks

Description of risk

The La Banque Postale Group records impairment to cover the risk of default by its customers. In accordance with IFRS 9, La Banque Postale Group recognises impairment for Expected Credit Losses (ECL) on performing loans (status 1), deteriorated loans (status 2) and defaulted loans (status 3).

The rules for the impairment of expected credit losses require the creation of an impairment status resulting in a 12-month expected credit loss following the origination of a new financial asset, and of a second status resulting in a credit loss expected at maturity, in the event of significant deterioration in credit risk. The impairment of expected credit losses (on loans of status 1 and 2) are primarily determined using models developed by La Banque Postale that include various parameters (probability of default (PD), loss given default (LGD), forward-looking data, etc.). Forward-looking scenarios have been specifically adjusted to factor in the expected impacts of the health crisis on the economy. Loans to corporate customers, classified as status 2 and included on the "watchlist", are also provisioned based on an informed judgement.

Defaulted loans (status 3) are impaired on an individual or statistical basis. This impairment is calculated by management based on estimated future recoverable flows, taking into account the guarantees available for each loan concerned.

In light of the Covid-19 health crisis, La Banque Postale Group made provisions to address a potential decline in the financial position of counterparties in the sectors deemed the most exposed to the impacts of the crisis.

When calculating provisions, a judgement-based assessment is used to classify exposure (status 1, 2, or 3) and to determine future recoverable flows, recovery time scales and the calculation of sectoral provisions, the judgement being just as complex as the ongoing crisis' impacts are uncertain.

Given the importance of this judgement in the process for determining impairment and the expected credit risk deterioration as a result of the health crisis, we considered the estimates for expected credit losses on loans to customers at 31 December 2020 to be a key audit matter.

At 31 December 2020, outstanding loans and receivables – customers amounted to €126.5 billion, and the associated provisions totalled €1.3 billion as indicated in Notes 5.7 and 5.19 to the consolidated financial statements. The principles for establishing credit risk provisions are detailed in Note 2.6 "Presentation and measurement rules" to the consolidated financial statements (Section 2.6.1.2.5 "Impairment of financial assets" and Notes 4.1 "Covid-19 impacts" and 4.2 "Credit risk").

How our audit addressed this risk

Provisions for status 1 and 2 loans:

We noted that an internal control system is in place that ensures a suitably regular update of the ratings of various loans.

On the provisioning models:

- We verified that a governance system is in place that ensures a suitably regular review of the appropriateness of the impairment models and parameters used to calculate impairment;
- We assessed the correct calibration of the parameters used to calculate impairment at 31 December 2020;
- We assessed how the main economic impacts of the health crisis in updating impairments models and parameters were taken into account, as well as the additional impacts of sectoral provisioning.

We also examined the relevant documentation so as to assess the justification of the sectors selected for making specific provisions and perform counter calculations on the main loan portfolios.

Based on a sample of credit files relating to corporate customers, classified as status 2 and included on the "watchlist", we performed counteranalyses of the amounts provisioned.

We performed controls on the entire IT system implemented by La Banque Postale Group to process its customer loan transactions, particularly tests on the general IT controls, interfaces and controls conducted on specific data used for provisions for credit risks.

Provisions for status 3 loans:

As part of our audit work, we examined the control procedures applicable to identifying risk exposure, monitoring credit and counterparty risk, assessing the risk of non-recovery and determining defining impairment testing methods and determining the related impairment on an individual and collective basis.

Our work included assessing the quality of the system monitoring sensitive, doubtful or disputed counterparties, the credit review procedure, and the guarantee valuation system.

Based on a sample of credit files relating to corporate customers selected on the basis of materiality and risk criteria, we also performed counteranalyses of the amounts provisioned and, in this regard, we particularly assessed their proper discounting and valuation in the current economic environment.

Lastly, we examined the relevance of the information provided in the notes to the consolidated financial statements.

Impact of consolidation of CNP Assurances on the consolidated financial statements of La Banque Postale

Description of risk

On 4 March 2020, the transfer of shareholdings in the capital of CNP Assurances to La Banque Postale was finalised as part of the process of creating a large public financial pole, for an amount of €4.027 billion. As of March 2020, La Banque Postale Group completed the full, first-time consolidation of CNP Assurances.

This transaction resulted in (i) the removal of the equity-accounted shares in CNP Assurances and (ii) the purchase price allocation, as set out in Note 3 "Business combinations" to the consolidated financial statements.

In this respect, the bank recognised:

- A loss of €1.6 billion, representing the difference between the stock market value at 4 March 2020 and the CNP Assurances shares' carrying amount in the consolidated balance sheet, as determined by the equity method;
- Badwill of €4.6 billion, recognised in "Profit (loss) for the period";
- Revaluation of CNP Assurances asset and liability items for €2.7 billion and €2.2 billion respectively.

On 30 December 2020, CNP Assurances announced the finalisation of the exclusive distribution agreement signed in August 2018 with Caixa Econômica Federal and its subsidiary, Caixa Seguridade, covering personal risk insurance, consumer loan insurance and retirement products. This agreement, which led to the incorporation of a new holding company in Brazil in which, at 31 December 2020, CNP Assurances held 40% of economic rights and 51% of voting rights, resulted in the recognition of €3 billion in intangibles assets on the balance sheet in accordance with IAS 38. This transaction is set out in Note 1.1.6 "Partnership in Brazil between CNP Assurances and Caixa Seguridade".

We deemed these two structural transactions relating to the consolidation of CNP Assurances within La Banque Postale Group to be a key audit matter in view of the following:

- For the former transaction: the acquisition of a controlling interest in CNP Assurances, a significant amount of the removed equity-accounted shares, assets acquired and liabilities assumed, as well as a judgement required to identify and measure these assets and liabilities in accordance with the provisions of IFRS 3, in particular the estimation of the fair value of the intangible assets;
- For the latter transaction: CNP Assurances' distribution agreement with Caixa Econômica Federal and its subsidiary Caixa Seguridade, the complexity of the analysis on the existence of control exercised over the new structure, and the impact of this analysis with regards to the accounting treatment of the transaction.

How our audit addressed this risk

For the acquisition of a controlling interest in CNP Assurances:

We examined the procedures for determining the purchase price and the equity-accounted share removal.

The opening balance sheet was subject to specific audit procedures covering the consolidation and main entities in France, Brazil and Italy that primarily intended to assess (i) the correct recognition of income statement items before and after the acquisition and (ii) the impacts of transition from IAS 39 to IFRS 9 as adopted by the European Union.

- Regarding the Value of Business Acquired (VOBA), we examined:
  - Model governance;
  - Governance of parameters and assumptions used as inputs for the models;
  - Governance of model results.

Additionally, we:

- Examined the appropriateness of parameters and assumptions, and in particular the consistency of the economic scenarios with market scenarios;
- Examined the documentation and appropriateness of the audit trails;
- Recalculated the VOBA based on the output of the model of technical reserves recorded on the balance sheet and the adjustment of certain assumptions not included in the models (attributable expenses, uncertainty factor).

In addition, for the pension savings business, we created a framework for the earnings from the VOBA calculated using public data on transactions so that their consistency can be assessed.

Lastly, we assessed the methods used to determine the initial recognition of the VOBA and its reversal over time.

- Regarding the valuation of customer relationships, we conducted, with the guidance of our insurance and actuarial experts, a critical review on:
  - The methodological notes setting out the methods for estimating and assessing customer relationships;
  - The application of principles and modelling of key parameters used in valuation estimates;
  - Their methods of amortisation.

We assessed the proper valuation of other adjustments relating to assets and liabilities.

Finally, we examined the disclosures provided in the notes to the consolidated financial statements concerning this acquisition.

For the CNP Assurances' distribution agreement with Caixa Econômica Federal and its subsidiary Caixa Seguridade:

We performed the following procedures with the guidance of our internal IFRS experts:

- We analysed the Shareholders' Agreement, ownership structure and governance structures, the respective rights and benefits of each of the stakeholders, and the way in which each stage in the transaction was structured;
- We reviewed management's analysis leading to the conclusion that the Group exercises exclusive control over the new holding company, particularly its current ability to direct the Company's relevant activities;
- We verified the accounting impacts of the transaction, including recognition of an intangible asset for the distribution agreement in accordance with IAS 38;
- We assessed the adequacy of the disclosures provided in the notes to the consolidated financial statements.

Technical reserves of insurance companies

Description of risk

On the liabilities side of their balance sheet, the entities controlled by La Banque Postale that carry out insurance activities recognise technical reserves representative of their commitments to policyholders.

These technical reserves include certain provisions, the determination of which necessitates a particular degree of judgement.

A reserve for escalating risks is recorded for Borrowers and Long-Term Care risks to cover timing differences between the coverage of risks and their financing in the form of insurance premiums. This reserve is constituted prospectively, by comparing the insurer's future commitments with those of the policyholder. French regulations do not specify all of the inputs to be used to calculate this reserve.

For the Savings and Pension technical reserves, and pursuant to IFRS 4, the Group conducts a liability adequacy test at each reporting date to ensure that insurance liabilities are adequate to meet its obligations towards the insured. This test is performed based on the modelling of future cash flows from insurance policies and financial contracts with discretionary profit sharing,

Considering the sensitivity of the reserve for escalating risks and of the liability adequacy test of the parameters and assumptions used to determine them (in particular discount rates, experience-based tables prepared according to observations and analyses established on the basis of portfolio data, policyholder behaviour for the reserve for escalating risks, economic scenarios, projected return on assets, the insurer's financial policy and future management decisions for the liability adequacy test), we deemed this reserve and the liability adequacy test to be a key audit matter.

At 31 December 2020, technical insurance reserves, gross of reinsurance, amounted to €380 billion. See Notes 2.5.3 "Consolidation rules", 5.18 "Insurance company technical provisions and shadow accounting reserves" to the consolidated financial statements.

How our audit addressed this risk

We carried out the following procedures with the guidance of our actuarial experts:

For the reserve for escalating risks:

- We examined the procedures by which the methodology for determining the reserve is implemented;
- We assessed the consistency of the key assumptions used to determine the reserve (homogeneous risk classes, discount rates, surrender rates, experience-based tables etc.);
- We examined the mathematical design of the actuarial model, particularly by recalculating the reserves.

For the liability adequacy testing:

- We gained an understanding of the method used;
- We assessed the consistency of the economic and financial assumptions used with market data;
- We examined governance processes relating to future management decisions taken into account in the measurement of liabilities;
- We examined the controls implemented in relation to the integration of asset and liability data and financial and non-financial assumptions into the calculation model;
- We examined the data generated by the projection model that was used for the liability adequacy test;
- We analysed changes in discounted future cash flows compared to 31 December 2019.

We also examined the disclosures provided in the notes to the consolidated financial statements.

Measurement of level 3 general administrative expense reserves

Description of risk

In its consolidated financial statements, La Banque Postale recognises a portfolio of financial assets, for an amount of €428 billion at 31 December 2020, as a result of the consolidation of CNP Assurances. Financial investments are measured at fair value at the end of the reporting period. For most of the asset portfolio, determining this value is not especially problematic given that the assets are listed on the markets.

However, the risk concerning the measurement of fair value is considered greater for assets classed level 3 in the fair value hierarchy pursuant to IFRS 13, that are not listed on liquid markets, such as structured debt securities, venture-capital investment funds, loan funds and unlisted equity investments.

These assets are valued on the basis of models, assumptions and data that require a considerable degree of judgement from management. The fair value of the assets represented outstandings of €16.3 billion at 31 December 2020, as indicated in Note 10.2 to the consolidated financial statements.

We deemed the valuation of these level 3 financial assets to be a key audit matter given the significant amount and sensitivity of their fair value at management's discretion, particularly concerning the selection of the measurement methods and underlying assumptions to be used.

How our audit addressed this risk

Our work consisted in:

- Familiarising ourselves with the internal system used for the valuation of financial assets;
- Verifying on a sample basis that the estimates of the value of level 3 financial assets, determined by management, are based on an appropriate justification of the measurement method, assumptions and data used;
- Obtaining the most recent valuations available for a sample of assets, prepared by experts and fund managers, in order to assess the values used by the Company;
- Examining the assumptions used in the valuation models for the Co-entreprise de Transport d'Électricité (CTE).

Lastly, we examined the disclosures provided in the notes to the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report prepared by the Executive Board.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Other verifications and information pursuant to legal and regulatory requirements

Pursuant to paragraph III of Article 222-3 of the French Prudential Control Authority's General Regulations, the Company's management informed us of its decision to postpone the application of the single electronic reporting format, as defined by European Delegated Regulation No. 2019/815 of 17 December 2018, to reporting periods beginning on or after 1 January 2021. Accordingly, this report does not contain a conclusion on the compliance of the presentation of the consolidated financial statements to be included in the annual financial report referred to in paragraph I of Article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) with this format.

Appointment of the statutory auditors

We were appointed statutory auditors of La Banque Postale by the Ordinary and Extraordinary General Meetings of Shareholders held on 28 April 2004 for PricewaterhouseCoopers Audit and on 27 May 2010 for KPMG SA.

At 31 December 2020, PricewaterhouseCoopers Audit and KPMG SA were in the seventeenth year and the eleventh consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Financial Statements Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Executive Board.

Responsibilities of the statutory auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditors exercise professional judgement throughout the audit.

They also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- Evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Financial Statements Committee

We submit a report to the Financial Statements Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Financial Statements Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Financial Statements Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for statutory auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Financial Statements Committee.

Neuilly-sur-Seine and Paris-La Défense, 11 March 2021

The statutory auditors

PricewaterhouseCoopers Audit		**KPMG SA**	
Agnès Hussherr Partner	Jérôme-Eric Gras Partner	Marie-Christine Jolys Partner	Pierre Planchon Partner

5.4 PARENT COMPANY FINANCIAL STATEMENTS

5.4.1 Parent company balance sheet

(in € thousands)	Notes	31 Dec. 2020	31 Dec. 2019
ASSETS			
Cash, central banks	*2.1*	1,782,206	22,412,359
Government paper and equivalents	*2.6*	25,574,282	29,219,811
Loans and advances to credit institutions	*2.2*	65,185,028	91,317,310
Loans and advances to customers	*2.4*	101,181,366	89,054,394
Bonds and other fixed-income securities	*2.6*	26,585,674	24,008,264
Equities and other variable-income securities	*2.6*	529,506	644,942
Equity investments and other long-term securities	*2.10*	343,553	239,202
Investments in subsidiaries and associates	*2.9*	4,961,442	2,665,578
Intangible assets	*2.11*	608,894	671,432
Property, plant and equipment	*2.11*	507,997	519,303
Other assets	*2.12*	1,726,869	1,680,235
Accruals	*2.12*	1,544,388	1,350,739
TOTAL ASSETS		**230,531,204**	**263,783,568**
LIABILITIES AND EQUITY			
Liabilities due to credit institutions	*2.3*	50,833,713	44,004,919
Customer deposits	*2.5*	149,930,159	189,288,896
Debt securities	*2.8*	13,526,953	15,260,783
Other liabilities	*2.13*	1,845,167	1,986,739
Accruals	*2.13*	1,863,384	2,241,411
Provisions	*2.14*	812,712	588,328
Subordinated debt	*2.16*	3,518,582	3,770,347
Fund for general banking risks (FGBR)		22,000	22,000
Shareholders' equity (excluding FGBR)	***2.18***	**8,178,532**	**6,620,144**
► Issued capital		6,585,350	4,631,654
► Share premium account		246,116	231,473
► Reserves		558,375	543,929
► Revaluation differences			
► Regulated provisions and investment grants			
► Retained earnings		1,198,642	924,159
► Net profit/(loss) for the period		(409,951)	288,929
TOTAL LIABILTIES AND EQUITY		**230,531,204**	**263,783,568**

5.4.2 Parent company income statement

(in € thousands)	Notes	2020	2019
Interest income			
▸ cash and interbank transactions	*3.1*	1,187,981	1,305,869
▸ customer transactions	*3.2*	1,359,251	1,445,302
▸ bonds and other fixed-income securities	*3.3*	759,985	951,016
▸ other interest income	*3.4*	217,866	209,555
Interest expense			
▸ cash and interbank transactions	*3.1*	(232,653)	(213,635)
▸ customer transactions	*3.2*	(1,255,430)	(1,368,018)
▸ bonds and other fixed-income securities	*3.3*	(311,820)	(412,368)
▸ other interest expense	*3.4*	(58,179)	(47,653)
Income from variable-income securities	*3.5*	24,806	252,892
Fee and commission income	*3.6*	2,550,666	2,471,483
Fee and commission expense	*3.6*	(260,974)	(267,390)
Gains or losses on trading portfolio transactions	*3.7*	(34)	(212,687)
Gains or losses on available-for-sale portfolio transactions	*3.8*	58,834	306,369
Other banking income	*3.9*	35,275	47,875
Other banking expenses	*3.9*	(90,059)	(59,483)
Net banking income		**3,985,515**	**4,409,129**
General operating expenses			
▸ Payroll costs	*3.10*	(448,054)	(410,517)
▸ Other general operating expenses	*3.12*	(3,701,171)	(3,752,308)
▸ Re-invoicing	*3.13*	157,157	138,463
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	*3.14*	(308,688)	(167,607)
Gross operating profit/(loss)		**(315,242)**	**217,159**
Cost of risk	*3.15*	(369,579)	(100,016)
Operating profit/(loss)		**(684,821)**	**117,143**
Gains or losses on non-current assets	*3.16*	345,356	312,763
Recurring profit before tax		**(339,464)**	**429,906**
Non-recurring items		-	-
Income tax	*3.17*	(70,487)	(140,977)
Net allocations to the Fund for general banking risks (FGBR) and regulated provisions		-	-
Net profit/(loss)		**(409,951)**	**288,929**
Parent company earnings/(loss) per share (in €)		(5.10)	7.17
Parent company diluted earnings/(loss) per share (in €)		(5.10)	7.17

5.4.3 Parent company off-balance sheet items

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Financing commitments, financial guarantees and securities commitments		
▸ Financing commitments given		
▸ To credit institutions	1,782,230	1,708,017
▸ To customers	22,393,065	23,316,395
▸ Financial guarantees issued		
▸ To credit institutions **(1)**	980,074	714,995
▸ To customers	5,305,180	5,792,804
▸ Securities commitments		
▸ Securities to be delivered **(2)**	15,111,351	10,704,453
Financing commitments, financial guarantees and securities commitments		
▸ Financing commitments received		
▸ From credit institutions	15,720,831	10,890,424
▸ From customers **(2)**	494,699	
▸ Financial guarantees received		
▸ From credit institutions **(3)**	32,435,892	33,294,891
▸ From customers	6,269,599	4,534,534
▸ Securities commitments		
▸ Securities to be received	340,806	382,730
Other commitments given and received		
▸ Other commitments given **(4)**	30,286,780	18,143,718
▸ Other commitments received	46	2,000,725

Off-balance sheet commitments relating to spot and forward foreign exchange transactions and to foreign currency lending and borrowing transactions are described in Note 2.19.

Off-balance sheet commitments relating to forward financial instruments and futures are described in Note 2.20.

1) **Crédit Logement commitment**: 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 €197.4 million at 31 December 2020.

2) **Financing commitments received from customers and securities commitments given** correspond for the most part to repurchase agreements executed after the reporting date.

3) **Financial guarantees received from credit institutions** correspond for €32,316 million to guarantees received from Crédit Logement.

4) **Other commitments given**: La Banque Postale has pledged financial assets as collateral for the 3G refinancing facility obtained from Banque de France (€8,339.8 million) and for guarantees received from Crédit Logement (€93.9 million). In addition, part of the portfolio of home loans has been pledged to its home loans subsidiary, LBP Home Loan SFH (€21,725.2 million).

NOTE 1 ACCOUNTING PRINCIPLES AND METHODS

Summary of significant accounting policies

The parent company financial statements have been drawn up in accordance with French generally accepted accounting principles applicable to credit institutions.

La Banque Postale, which is wholly owned by La Poste, is consolidated in La Poste's financial statements and is part of its tax group.

La Banque Postale, as a parent company, also prepares consolidated financial statements.

Changes in method and comparability

1 Changes in method

On 29 December 2020, the Board of the French accounting standard setter (Autorité des normes comptables – ANC) adopted Regulation 2020-10 dated 22 December 2020, amending Regulation 2014-07 of 26 November 2014. The new Regulation introduced two changes to the presentation of the balance sheet. The first concerns customer deposits in regulated savings accounts, which are now presented in liabilities net of savings centralised at Caisse des Dépôts et Consignations (until 31 December 2019, centralised savings were presented in assets, under "Loans and advances to credit institutions"). The second change concerns the presentation in liabilities of the debt corresponding to borrowed securities for the net amount after deducting the borrowed securities.

Both of these qualify as changes in accounting methods. Because they have no impact on equity and merely affect the presentation of the balance sheet, they are applied prospectively.

The change in accounting standards concerning the offsetting of borrowed securities is presented in more detail in Section 3 “Securities – Securities lending/borrowing”, and the change concerning regulated savings accounts is analysed in Section 5, “Liabilities due to credit institutions and customer deposits – Regulated savings” of Note 1 “Accounting principles and methods”.

2 Comparability of financial years

For the balance sheet, income statement and off-balance sheet statement, the amounts reported for the 2020 financial year are directly comparable to those of the previous financial year, except for the impact of the presentation changes made in accordance with ANC Regulation 2014-07, as described above. The 2019 figures have been restated to reflect application of the new Regulation and a third column, “2019 pro-forma", has been added to Note 2.2 “Loans and advances to credit institutions” and Note 2.5 “Customer deposits” which are affected by the changes.

Presentation and measurement policies

La Banque Postale applies the rules and principles of ANC Regulation 2014-07 of 26 November 2014, which combines in a single text all the accounting regulations applicable to banking institutions.

1 Foreign currency transactions

In accordance with ANC Regulation 2014-07, assets, liabilities and off-balance sheet commitments denominated in foreign currencies are converted at the spot exchange rate on the last day of the period.

Foreign exchange gains and losses resulting from day-to-day transactions in foreign currencies are recognised through profit or loss.

Forward currency hedging positions are recognised off-balance sheet. Each position is initially recorded at the spot exchange rate, then the swap points (the difference between the forward rate and the spot rate) are recognised in profit or loss on an accruals basis.

2 Loans and advances to credit institutions and customers – Signature commitments

Loans and advances to credit institutions and customers are analysed by initial maturity or by type: demand (current accounts and overnight transactions) and term (loans, repurchase agreements) for credit institutions; trade receivables, current accounts, short-term credit facilities, equipment loans, home loans and other loans for customers. They include outstanding loans, current accounts in debit, as well as collateralised and uncollateralised reverse repurchase agreements.

Guarantees received are recorded off-balance sheet and regularly remeasured, with the amount registered capped at the carrying amount of the loan.

The credit risk on loans and advances to credit institutions and customers, fixed-income securities, signature commitments and financial instruments is accounted for in accordance with ANC Regulation 2014-07.

The credit risk for a given counterparty is the risk of a loss being incurred in the event that the counterparty defaults on its obligations.

The monitoring of loans and advances is based on an expert system, which uses external or internal ratings or a mix of the two, depending on the category of the customer (individuals, corporate customers, etc.).

Loans

Loans are recognised in assets at their repayment amount, including a premium or discount if the repayment amount is different from the origination/acquisition amount. Interest on loans is calculated by the effective interest method.

Non-performing loans and advances

The process of classifying loans and advances as "non-performing" applies to unauthorised overdrafts, home loans and consumer credit, and loans to corporate customers.

A loan or advance is classified as non-performing when it is probable that all or part of the amount due will not be recovered in line with the commitment given by the counterparty.

Non-performing loans for which the credit risk has increased significantly are reclassified as irrecoverable when it is probable that the amount due will have to be written off.

Unauthorised overdrafts concern both active and closed accounts. If an unauthorised overdraft classified as non-performing concerns an active account, all loans to the customer concerned are classified as non-performing even if no payments have been missed. Unauthorised overdrafts are reviewed monthly and the classification decision depends how long the account has been overdrawn. When an account is closed, the overdraft is classified as irrecoverable. Very small amounts are written off immediately.

Loans are classified as irrecoverable when there is objective evidence that an event has occurred since the loan – or group of loans – was set up which could result in a credit loss being incurred. This could be the case when payments have been missed, legal collection proceedings have been launched, or the financial situation of the counterparty has deteriorated and there is a risk of non-recovery.

Loans and advances are classified as non-performing at the latest three months after one or more payments have been missed, or when an application for relief from excessive levels of consumer debt has been made to the Banque de France, even if no payment incident has occurred.

Loans and advances are automatically classified as irrecoverable if the acceleration clause is triggered or the relationship with the counterparty is terminated (in the case of loans and advances with no fixed maturity). In addition, loans are automatically reclassified as irrecoverable one year after being classified as non-performing unless a future credit loss is not expected.

Applying the contagion principle, all outstanding loans to the same customer are classified as non-performing as soon as one loan to that customer is classified as non-performing by a Group entity.

Non-performing home loans can be reclassified as performing when all arrears have been settled and no payments have been missed for at least 90 days.

Loans classified as irrecoverable are written off when all attempts at recovery have failed, and the corresponding loss allowances are reversed.

Restructured loans

Restructured loans are loans for which the original financial terms have been modified due to the borrower's financial difficulties.

Restructuring operations are defined according to two main criteria:

- concessions by the bank;
- financial difficulties experienced by the borrower.

The difference between the gross carrying amount of the loan before restructuring and the present value of the renegotiated or modified contractual cash flows discounted at the financial asset's original effective interest rate is recorded in "Cost of risk" and in the balance sheet as a deduction from the outstanding loan. The modification loss is recognised in interest margin over the remaining life of the loan by the yield-to-maturity method.

Retail Banking customers

The customer is moved out of the non-performing category after a 12-month probationary period free from any payment incidents and is then classified as sensitive for a further 24 months. After a restructured loan has been reclassified as performing, if the customer fails to respect the agreed repayment terms, the loan is immediately classified back to non-performing as soon as the first payment is missed.

Non-Retail Banking customers

When a Non-Retail Banking customer is moved out of the non-performing category, during a 12-month probationary period, decisions are made on a case-by-case basis, following a full analysis and based on informed judgement. Any decision to reclassify the loans as "performing loans under surveillance" is made by the unit responsible for monitoring the customer relationship and approved by the Risk Department.

Restructured loans reclassified as performing are automatically subject to a 12-month probationary period and if there are any payment incidents during this period, they are immediately reclassified as non-performing.

Specific credit loss allowances

Home loan portfolio

Credit loss allowances on defaulted home loans may be determined on a statistical basis (using historical data for groups of loans with similar characteristics), or on a case-by-case basis by customer.

Defaulted home loans are weighted by the "best estimate of the expected credit loss on the exposure at default" adjusted for certain accounting adjustments (such as the elimination of overweighting for the impact of an economic slowdown). The best

estimate takes into account the period during which the loan is in default and the type of guarantee.

The loss allowance is recognised in "Cost of risk" in the income statement, and reduces the carrying amount of the financial asset.

Applying the contagion principle, all outstanding loans to the same customer are written down as soon as one loan to that customer is written down by a Group entity.

In the event of reassessment of an impaired home loan, all or part of the loss allowance may be reversed and the loan reclassified as performing when all arrears have been settled and no payments have been missed for at least 90 days.

Loans to corporate customers

Loss allowances on defaulted loans to corporate customers are tracked monthly and adjusted as necessary based on informed judgement. In this case, a loss allowance is recorded for the difference between the carrying amount of the loan and the net present value of expected cash flows, discounted at the original effective interest rate and determined by taking account of the customer's financial position and the present value of the guarantees received. The loss allowance is recognised in "Cost of risk" in the income statement, and reduces the carrying amount of the financial asset.

Applying the contagion principle, all outstanding loans to the same customer are written down as soon as one loan to that customer is written down by a Group entity.

Loss allowances on loans qualified as sensitive

La Banque Postale has adopted a prudent approach to assessing credit risk whenever it is exposed to a potential loss as a result of customer default. Loss allowances are recorded for loans qualified as sensitive, to cover the probable occurrence of the related credit risk due to current or past events, even if said events are not separately identifiable.

As such, loans for which a significant deterioration in credit quality has been identified since their date of initial recognition are classified as sensitive and an allowance is recorded for the lifetime expected credit loss. The lifetime expected credit loss corresponds to the total loss given default, taking into account the different guarantees, weighted by the probability of default over the expected lifetime of the instrument.

La Banque Postale uses a certain number of indicators to detect any deterioration in credit quality of a counterparty, generally based on internal or external ratings, or on risk events (such as a fall in sales or increased use of credit facilities).

As a backstop[1] rebuttable presumption, a significant increase in credit risk is considered to have occurred no later than when a contractual payment is more than 30 days past due, leading to classification of the loan as sensitive.

Likewise, inclusion on a watch list may be an indicator (rebuttable by the Watch List Committee) of a significant increase in credit risk.

An asset that has been subject to a significant deterioration of credit quality may be moved out of the sensitive category when:

- There are no longer any indications of a significant deterioration in credit quality since initial recognition. In this case, the loss allowance on the asset is reversed.
- All arrears have been settled. In this case, the asset is no longer classified as sensitive (depending on the case, there may be a monitoring period to avoid recurrence).
- The asset is classified as non-performing.

The loss allowance is recognised in "Cost of risk" in the income statement and reduces the carrying amount of the financial asset in the balance sheet.

Unauthorised overdrafts

Loss allowances for unauthorised overdrafts concern both active and closed accounts. Unauthorised overdrafts are reviewed monthly to determine whether a loss allowance should be recorded, taking into account how long the account has been overdrawn. Very small amounts are written off immediately.

Loss allowances for unauthorised overdrafts on active accounts are determined by the same method as for home loans.

Authorised and unauthorised overdrafts are reviewed when they concern a counterparty considered to be high-risk, when the account has been overdrawn for more than 30 consecutive days, and when a payment incident has occurred. A loss allowance is recorded on these accounts and adjusted to reflect the changing overdraft balance. The contagion principle applies to other loans in the same category. Beyond a certain period, the account is closed.

Interest on non-performing loans continues to be recorded in net banking income and a loss allowance is recorded for the same amount in "Cost of risk".

Financing commitments

Financing commitments are recorded off-balance sheet. Consequently, if a significant deterioration in credit quality is identified or the counterparty has defaulted on its obligations, the resulting loss allowance is recognised in liabilities.

Financial guarantee contracts

Guarantee commitments are valued according to the probability of a claim being made against the guarantee. Loss allowances are booked in liabilities.

Collaterised and uncollateralised reverse repurchase agreements

Securities recovered under collateralised or uncollateralised reverse repurchase agreements are recorded in an asset account corresponding to the underlying loan. The corresponding income is recognised in the income statement on an accruals basis.

Securities received under a reverse repurchase agreement that are subsequently sold are recorded in liabilities at market value.

3 Securities

Securities are recorded in the balance sheet according to their type:

- government paper (treasury bills and equivalents);

(1) The backstop is defined as the point beyond which the credit quality of a financial asset is considered to have significantly deteriorated.

- bonds and other fixed-income securities (money market securities and interbank securities);
- equities and other variable-income securities.

Applying the provisions of ANC Regulation 2014-07, securities are recognised in the following categories based on the management intent: trading, available-for-sale, held-to-maturity, portfolio securities and long-term equity interests, other long-term securities and interests in related companies.

Specific measurement rules apply to each category, as described below.

In the event of an incurred credit risk, fixed-income securities held in the "Held-to-maturity" portfolio are classified as non-performing according to the same criteria as those applicable to non-performing loans and commitments.

Trading securities

Trading securities include marketable securities, treasury bills and money market securities. They are purchased or sold with the intention of reselling them or buying them back in the short term. They are traded on active markets.

Trading securities are recognised at their acquisition price excluding transaction costs and including accrued interest, where applicable. At each reporting date, they are measured at the latest quoted market price, with any measurement differences recorded in profit or loss.

Unrealised or realised gains or losses are recorded in the income statement under "Gains or losses on trading portfolio transactions".

The coupons received are recognised in interest income.

Trading securities which are no longer held with the intention of selling them in the short term may be transferred to the "Available-for-sale" or "Held-to-maturity" categories, if:

- an exceptional market situation requires a change in the holding strategy;
- the securities are fixed income securities that can no longer be traded on an active market after their acquisition, and La Banque Postale has the ability to hold them for a foreseeable period or until maturity.

The transferred securities are recorded in their new category at their market value on the date of transfer.

If the characteristics of the market on which the trading securities were purchased change, such that this market can no longer be considered active, the securities are remeasured using valuation techniques that take the new characteristics of the market into consideration.

Available-for-sale securities

Available-for-sale securities are securities that do not meet the criteria for classification in the Trading or Held-to-Maturity portfolios.

Available-for-sale securities are initially recognised at their acquisition price, excluding transaction costs. They are managed on a "first-in, first-out" basis and valued as follows, by group of securities with similar characteristics, and without offsetting gains or losses against the losses or gains recorded on other categories of securities:

- bonds: unrealised losses compared with market value, calculated on the basis of the closing price, are recorded as an impairment loss;
- treasury bills, money market securities and interbank securities: impairment losses are recorded depending on the issuers' solvency and market indicators.

Gains on micro-hedging transactions are taken into account when calculating the impairment loss.

Any premiums or discounts are recognised over the remaining life of the securities by the yield to maturity method.

Income from available-for-sale securities is recognised in the income statement under interest income from fixed-income securities and income from variable-income securities; realised gains or losses as well as impairment allowances and reversals are recorded in the income statement under "Gains or losses on available-for-sale portfolio transactions".

Available-for-sale securities can be transferred to the Held-to-Maturity category if:

- an exceptional market situation requires a change in the holding strategy;
- the securities are fixed income securities that can no longer be traded on an active market after their acquisition, and La Banque Postale has the ability to hold them for a foreseeable period or until maturity.

The transferred securities are recorded in their new category at their acquisition price; any previously recognised impairment losses are also transferred and then reversed over the remaining life of the securities concerned.

In the absence of an active market, the fair value of available-for-sale securities is determined using valuation techniques. These techniques include the prices of recent transactions carried out on arm's length terms. They use recognised valuation methods based on market data, fair values of substantially identical instruments, discounted cash flow models or option pricing models. The aim of these techniques is to establish what the price of an instrument would be under normal market conditions. For example, the fair value of bonds or variable-income securities and futures is determined using quoted prices. Valuation techniques based on market data are used mainly to value over-the-counter derivatives, securities on which interest is paid up front (commercial paper, certificates of deposit, etc.) and repo deposits.

Held-to-maturity securities

Held-to-maturity securities consist of fixed-income securities purchased or reclassified from the "Available-for-sale" or "Trading" portfolio, with the clear intention of holding them until maturity. They are initially recognised at their acquisition price excluding transaction costs.

If the carrying amount of the securities is greater than their market price at the reporting date, no impairment loss is recorded for the difference. Conversely, an impairment loss is recognised when it is probable that all or part of the securities' redemption price will not be recovered at maturity. The difference between the acquisition and repayment price of the securities (premium or discount) is amortised by the yield-to-maturity method.

Interest on held-to-maturity securities is recognised in the income statement under "Interest income on bonds and other fixed-income securities".

Impairment losses or reversals are recognised in the income statement under "Cost of risk".

In the event of disposal or transfer to another category of held-to-maturity securities representing a significant amount in relation to the total value of the "Held-to-maturity" portfolio, no securities may be classified in this category during the remainder of the accounting period or in the following two years.

In addition, all the remaining securities in the "Held-to-maturity" portfolio are reclassified immediately to the "Available-for-sale" portfolio. When trading and available-for-sale securities are transferred to the “Held-to-maturity” portfolio due to exceptional market situations requiring a change of strategy, if the transferred securities are sold before maturity because they can once more be traded on an active market, this does not lead to the automatic reclassification of the other securities in the portfolio.

Portfolio securities

Portfolio securities correspond to investments that are made on a regular basis for medium-term capital appreciation, without any intention of investing over the long-term in developing the investee's business or participating actively in managing the business. They are recognised at their acquisition price.

An allowance is recorded to cover any other-than-temporary impairment in value due to an underlying deterioration of an investee's situation.

Income from portfolio securities is recognised in the income statement under “Income from variable-income securities”.

Realised gains or losses as well as impairment losses and reversals are recorded in the income statement under “Gains or losses on available-for-sale portfolio transactions”.

Long-term equity interests, other long-term securities and interests in related companies

Long-term equity interests comprise interests in companies in which La Banque Postale SA exercises significant influence over the governance bodies, and investments that are strategic for the development of La Banque Postale SA’s business. Significant influence is presumed to be exercised when La Banque Postale SA holds 10% or more of the investee’s capital.

Other long-term securities are shares and share equivalents that La Banque Postale SA intends to hold on a lasting basis with a view to earning a satisfactory return over the long term, without participating in the management of the investee, but with the intention of promoting long-term business relationships by forging special ties with the investee.

Holdings in related companies consist of shares and other variable-income securities issued by companies controlled exclusively by La Banque Postale SA, i.e., companies that could be fully consolidated in the Group's financial statements.

At the reporting date, the securities are measured at their value in use, estimated using various criteria such as net assets, earnings outlook, and discounted future cash flows. An allowance is recorded in the event of an other-than-temporary impairment of the investee's value in use. Impairment losses and reversals, and disposal gains or losses are recorded under "Gains and losses on non-current assets”.

Dividends are recognised at the date they were decided by the General Meeting of Shareholders, or at the payment date when the date of the decision is not known. They are recorded under “Income from variable-income securities”.

Securities lending/borrowing

In a securities lending/borrowing transaction, title to the securities is transferred to the borrower without any financial consideration.

At the date on which title to the securities is transferred (generally the date of the loan agreement), the lender removes the loaned securities from its balance sheet and instead records a receivable for their carrying amount. The borrower recognises the securities in assets, under "Trading securities", and in liabilities for the amount owed to the lender, based on the market price of the securities on the day of the loan.

At the reporting date, the lender measures the receivable in accordance with the rules applicable to the portfolio from which the loaned securities were taken.

The borrower measures the liability in respect of the borrowed securities at the most recent market price of the securities, and measures the securities recognised as an asset in accordance with the rules applicable to trading securities.

Remuneration for securities lent or borrowed is recorded on an accruals basis over the period of the loan.

Borrowed securities are presented in the borrower’s financial statements as a deduction from the corresponding liability, in “Other liabilities”.

Details of the asset and liability amounts offset in the financial statements are provided in the notes to the financial statements.

4 Property, plant and equipment, and intangible assets

Property, plant and equipment and intangible assets are measured at their acquisition cost, including the cost of initial fixtures and fittings in the case of buildings.

For the application of ANC Regulation 2014-03, owner-occupied office buildings are broken down into six parts: shell, roofing, joinery and external work, major equipment items, small equipment items, fixtures and fittings, and land.

Depreciation is calculated on a straight-line basis over the probable useful lives of the separate parts, corresponding to periods ranging from 10 to 80 years, as follows:

- shell: 80 years;
- roofing: 60 years;
- joinery and external work: 40 years;
- major equipment items: 20 years;
- small equipment items, fixtures and fittings: 10 years.

Installations and fixtures and fittings are usually depreciated over ten years.

Internally developed software that meets the criteria for recognition as an intangible asset is recognised at its development cost, including external expenditures and the cost of employees directly assigned to the project. Software is generally amortised over a period of between three and five years, or seven years for strategic software intended to be used over this period.

The following expenses are included in intangible assets:

- the costs incurred during the development phase that meet the criteria for recognition as intangible assets (based on the benchmark method);
- the costs of share issues, mergers, demergers, capital contributions and transformations (no benchmark method).

Development costs are generally amortised over the development's estimated period of use or a maximum of between five and seven years. Share issuance costs are amortised based on an amortisation plan over no more than five years.

5 Liabilities due to credit institutions, and customer deposits

These captions include deposits, borrowings, and securities sold under collateralised and uncollateralised repurchase agreements.

Regulated savings

La Banque Postale is required to transfer part of the deposits collected in its regulated savings accounts (Livret A, LDDS and LEP accounts) to Caisse des Dépôts et Consignations (CDC). This mandatory centralisation requirement is set out in Article L. 221-5 of the French Monetary and Financial Code for Livret A and Livret développement durable et solidaire regulated savings accounts, and in Article R. 221-58 of the code for Livret d'épargne populaire regulated savings accounts.

The centralised deposits are held in a savings fund managed by Caisse des Dépôts et Consignations in accordance with Article L. 221-7 of the French Monetary and Financial Code, and are used to finance social housing and urban development policy.

Amounts deposited by customers in regulated savings accounts are recognised at their nominal value in "Customer deposits: regulated savings accounts".

The deposits transferred to the CDC savings fund are recognised at their nominal value in a special receivable account within "Loans and advances to credit institutions".

Regulated savings accounts are presented in liabilities net of the receivable for the share of total deposits centralised with Caisse des Dépôts et Consignations. Details of deposits collected and recognised in liabilities, and of the receivable recorded for centralised deposits are provided in the notes to the financial statements.

Borrowings

Borrowings are recorded under liabilities at their repayment amount. Interest on borrowings is recorded in the income statement on an accruals basis.

Securities sold under collateralised repurchase agreements

The underlying loan is recorded in liabilities. The securities are kept in their original portfolio and continue to be measured according to the rules applicable to that portfolio. Interest on the underlying loan is recorded in the income statement on an accruals basis.

6 Debt securities

Debt securities consist of money market securities issued by La Banque Postale.

Accrued interest on the securities is recorded in an accrued interest sub-account and in the income statement.

The issue costs and any issue or redemption premiums, are amortised by the yield-to-maturity method over the term of the corresponding issues.

7 Provisions

This caption includes:

- loss allowances for financing commitments and guarantee contracts;
- provisions for post-employment benefit obligations, corresponding mainly to length-of-service awards payable to employees on retirement;
- other provisions recorded pursuant to ANC Regulation 2014-03, regarding the recognition of liabilities. These provisions are intended to cover liabilities and charges that are certain as to their purpose but are of uncertain timing or amount. They are recorded when La Banque Postale SA has a present obligation at the reporting date and does not expect any benefit of at least equivalent value in return;
- provisions to cover signature commitments, where there is a very high probability of a payment obligation arising under the guarantee;
- provisions for home loan savings accounts (CEL) and home loan savings plans (PEL) offered to retail customers under the law of 10 July 1965. The products include two phases: a saving phase, during which the saver earns interest, and a borrowing phase when the savings are used as a deposit for a home purchase financed in part by a subsidised loan.

The CEL and PEL generate two types of obligation for the distributing institution:

- an obligation to remunerate future savings at a rate that is set for an indefinite period when the account is opened (PEL accounts opened before 28 February 2011) or that is revised annually (new generation accounts);
- an obligation to grant a home loan to customers who request it, at a rate set when the account is opened.

These commitments have potentially unfavourable consequences (notice 2006-02 issued by the French national accounting board (CNC)) for La Banque Postale, which are covered by provisions recorded in liabilities (under "Provisions"). Changes in these provisions are taken into account for the determination of the net interest margin included in net banking income.

The provisions are estimated on the basis of customer behaviour statistics and market data for each generation of plans, in order to cover the future cost arising from the products' potentially unfavourable interest rate terms relative to the rates offered to retail customers for similar products for which the remuneration is not regulated. The provisions only concern obligations in respect of home savings accounts and plans in progress at the date the provision is calculated.

Provisions are calculated for each generation of home savings plan, without offsetting obligations between generations, and for all the home savings accounts, which are considered as representing a single generation.

During the saving phase, the provision is measured as the difference between expected average savings deposits and expected minimum savings deposits, determined in both cases on a statistical basis taking into account observed historical customer behaviours.

During the borrowing phase, the provision concerns outstanding loans not yet due at the reporting date and future loans that are considered as statistically probable based on balance sheet deposits at the calculation date and observed historical customer behaviours.

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

The net present value of future income is assessed relative to the interest rates offered to retail customers on equivalent savings and lending products for similar periods and with similar commencement dates.

8 Subordinated debt

Subordinated debt is debt that is subordinate in ranking to all other debts of the issuer for repayment purposes in the case of a liquidation.

Accrued interest on subordinated debt is recorded in an accrued interest sub-account and in the income statement.

9 Fund for general banking risks

The purpose of this fund is to cover the cost of operational risks and the expenses inherent in the banking and financial asset management business that cannot otherwise be covered.

10 Derivative transactions

Transactions involving interest rate, foreign exchange, or equity futures are recorded in accordance with ANC Regulation 2014-07. Commitments relating to these transactions are recorded as off-balance sheet items at the notional amount of the contract.

Recognition of gains or losses on these instruments depends on the management intention.

Portfolio fair value hedging transactions

Income and expenses relating to portfolio fair value hedging transactions are recorded in the income statement over the hedging period, with the contra entry recorded in an accruals account until the funds are received or disbursed.

Balancing payments made when interest rate hedges are unwound are recognised immediately in the income statement.

Micro-hedging transactions

Gains or losses on instruments designated from the outset as hedges of an item or group of items with similar characteristics are recognised in the income statement on a symmetrical basis with the loss or gain on the hedged item or group of items.

Balancing payments made when interest rate hedges are unwound are recognised immediately in the income statement.

Other derivatives

Other derivatives are measured at their market value at the reporting date.

Where over-the-counter transactions corresponding to isolated open positions are concerned, the gain or loss is recorded when the contract unwinds, depending on the type of transaction. Unrealised gains are not recognised. A provision is booked for unrealised losses corresponding to the negtaive difference between estimated market value and the carrying amount.

Unrealised or realised gains or losses on transactions carried out on an organised market are recorded directly in profit or loss.

11 Off-balance sheet commitments

Off-balance sheet commitments correspond mainly to financing commitments given (cash facilities, overdrafts, irrevocable financing commitments) and guarantee commitments received or given that have not led to fund movements.

Other commitments given correspond primarily to the fair value of securities pledged to the European Central Bank in exchange for its financing commitment and home loan portfolios pledged to La Banque Postale's home loan business (La Banque Postale Home Loan SFH).

12 Employee benefit plans

Most employee benefit plans are defined contribution plans.

The length-of-service awards payable to employees on retirement, which are not funded under an insured plan, are covered by provisions determined by the recommended method set out in CNC Recommendation 03-R-01. This actuarial method takes into account employees' age and years of service, mortality rates, future salary levels, and the probability of employees remaining with the Group until retirement.

The pension plan for contract staff is a defined contribution plan under which La Banque Postale pays fixed contributions to an external fund and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits due. Consequently, once the contributions have been paid, no liability or benefit obligation is recorded in La Banque Postale's financial statements Contributions paid to an external fund or insurance company are expensed in the period concerned.

The Amended Finance Act of 2006 introduced a new method of funding the pensions of civil servants employed by La Poste group, applicable from 1 January 2006.

Under the new scheme introduced in 2006, the Group pays employer contributions in full discharge of its liability for pension payments. As a result, no provision for pension obligations towards civil servants is recorded in the financial statements.

13 Fee and commission income and expenses

Fees and commissions are recognised in the income statement based on the service provided and the accounting treatment of the financial instruments to which the service relates:

- when the service is provided over time, the fee is recognised over the service period (payment media processing fees);
- when the service is provided at a point in time or concerns a significant transaction, the fee or commission is recognised in the income statement when the service is provided or the transaction is executed (intermediary commission, payment incident fee).

14 Set-up costs

Incorporation, transformation and start-up costs are recognised as expenses for the period in which they are incurred (benchmark method).

15 Cost of risk

The cost of credit risk includes:

- impairment losses and reversals on customer loans and advances;
- impairment losses and reversals on held-to-maturity securities;
- impairment losses and reversals on financial guarantee contracts and financing commitments;
- discounts on restructured loans, losses on irrecoverable loans and recoveries of loans written down in full.

16 Corporate income tax

Only current taxes are recorded in the parent company financial statements. The tax expense shown in the income statement corresponds to the corporate income tax payable for 2020.

The standard tax rate is 31%, plus a 3.3% surtax, giving an effective tax rate of 32.02%. A reduced rate of 28% applies to the first €500,000 of taxable profit, which can reduce the effective tax rate depending on the level of taxable profit.

La Banque Postale is member of the tax group headed by La Poste. Under the tax consolidation agreement, La Banque Postale records in its accounts the tax that it would pay if it was not a member of the tax group.

NOTE SIGNIFICANT EVENTS OF THE PERIOD

1 Creation of a large public financial group

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.

Once these operations and an additional buyout operation had been completed, La Banque Postale SA owned 42.70% of the capital of CNP Assurances directly for a total amount of €2,010 million (see Note 2.9 "Investments in related companies"). The contribution of CNP Assurances shares by La Poste was paid for through a €1,968 million share issue (see Note 2.18 "Shareholders' equity").

2 Information concerning the Covid-19 crisis

The Covid-19 health crisis and the related economic fallout constituted the single biggest event of 2020 and La Banque Postale has adapted its marketing, operational and risk management processes accordingly. La Banque Postale acted immediately to deploy measures to support its customers and also launched a phased plan to review risks on an ongoing basis so they are properly reflected in its financial statements.

In March 2020, after 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 automatically had major consequences on the economy and 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 and individuals, including:

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

2.1 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 in two ways:

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

Corporate customers

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

For markets and products representing high volumes but modest amounts (such as professionals, SMEs, etc.), repayments of all monthly instalments were deferred unilaterally by La Banque Postale (unless this went against the customer's wishes) through to 30 September 2020. This amounted to a six-month extension of the term of the loan without any adjustment of 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, CIB 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.

As soon as EBA EBA/GL/2020/08 guidelines were published, repayment holidays for an additional six months were granted to those customers who requested them in the tourism sector, by decree of 13 July 2020 (Annexe 7), amending the decree of 23 March 2020, as published in the Official Journal. The total repayment holiday granted could not exceed 12 months.

As regards the decisions published on 2 December 2020, authorising repayment holidays through 31 March 2021 on loans granted prior to 2 December 2020, and on loans already covered by repayment holidays through 30 September 2020 (not to exceed nine months), no operations were carried out at the end of 2020.

Recovery efforts focusing on corporate customers were stepped up in 2020 to enhance risk identification and oversight of the portfolio in light of the impact of the Covid-19 crisis.

At 31 December 2020, La Banque Postale had granted repayment holidays on 13,610 loans, representing 4,299 customers and total outstanding principal of €2,651 million. Of this amount, the repayment holiday on €2,193 million worth of outstanding principal ended on 31 December 2020. Repayment holidays still in progress at 31 December 2020 represented €458 million in exposure, including €36 million for professional customers and €422 million for corporate customers.

Retail customers

Repayment holidays were granted on home loans for periods of two to six months (depending on the target customer), 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.

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.

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

The repayment holidays were granted for two periods: during the first lockdown, between end-March 2020 and 1 July 2020; they were then reinstated during the second lockdown beginning from November 2020 (with adapted eligibility criteria).

At 31 December 2020, La Banque Postale had granted non-contractual repayment holidays on 17,178 loans, representing a total outstanding principal of €1,959 million. Of this amount, the repayment holiday on €1,852 million worth of outstanding principal ended on 31 December 2020.

2.2 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 were made available between 16 March and 31 December 2020 through France's main banking institutions, including La Banque Postale[1].

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 between 70% and 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.

Following the French government's announcement of 14 January 2021, repayment may be deferred through 31 March 2022 if the customer makes a request to this effect.

The guarantee comes into effect two months after the loan is granted.

2.3 Impact of the crisis on the measurement of credit risk

Throughout 2020, the Group Risk Department performed extensive analyses with a view to determining a cost of risk that reflects the actual short- or medium-term risk on its individual and corporate customer loanbook, aside from losses already taken on these loans.

Consequently, the impacts of the Covid-19 pandemic (and its macro-economic fallout) on the measurement of the Group's credit risk may be placed in two broad categories:

- general impacts on the entire loanbook – individuals and corporates – related to the recalibration of all models and scenarios underlying the calculation of La Banque Postale's statistical provisions; and
- specific impacts on certain customer segments related to measures taken by the Group Risk Department following an analytical review of the entire loanbook.

(1) The decree of 29 December 2020 amending the decree of 23 March 2020 (published in the Official Journal) has extended the government-backed loan scheme through 30 June 2021.

Corporate customers

In the financial statements for the year ended 31 December 2020, in accordance with the applicable regulatory and accounting provisions, La Banque Postale has adopted a conservative balanced approach to determining provisions that reflects the available information concerning the crisis and is based on observations concerning the loan book and the expertise of the sales teams and the Group Risk Department.

Retail customers

Up to now, the Covid-19 crisis has had only a limited impact on La Banque Postale's Retail Banking credit exposures. The crisis could nonetheless 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 and adapt provisions accordingly, the risk parameters associated with default probabilities and various macro-economic scenarios were reviewed in second-half 2020 as explained previously. Moreover, certain socio-economic categories (SEC) were reclassified as "sensitive" when it was considered that these categories risked being materially impacted by the second lockdown and the duration of the health crisis, resulting in a limited or complete halt in activity throughout whole sectors of the economy.

In the case of loans subject to non-contractual payment deferrals due to the Covid-19 crisis (home loans) 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 as sensitive, with some exceptions, leading to the recognition of a provision for the lifetime expected credit loss. After repayments resume, once a three-month probationary period has elapsed, the exposures in question are reclassified as performing loans.

There was no major change in the structure of Retail Banking exposures at 31 December 2020 and the effects of the Covid-19 crisis have not yet had a material impact.

2.4 Dividend policy

La Banque Postale Group opted to follow the recommendation of the ECB, which called on banks not to pay dividends or to limit the amounts paid out. As a result, dividend income received by La Banque Postale from its interests in related companies declined by €219 million when compared with 2019.

NOTE 2 NOTES TO THE BALANCE SHEET

2.1 Cash and central banks

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Cash	1,282,749	1,167,739
Central banks	499,457	21,244,620
Accrued interest		
CASH AND CENTRAL BANKS	**1,782,206**	**22,412,359**

2.2 Loans and advances to credit institutions

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2019 *pro forma*
Current accounts in debit	208,687	380,026	380,026
Overnight accounts and loans	41,500,000	-	-
Overnight reverse repos	-	-	-
Securities received under collateralised reverse repurchase agreements	2,806,933	1,894,663	1,894,663
Other securities received under reverse repurchase agreements	-	-	-
Suspense accounts	5,735	1,911	1,911
Non-performing loans	-	-	-
Accrued interest	18	39	39
Gross total	**44,521,372**	**2,276,639**	**2,276,639**
Impairments	**0**	**0**	**0**
Loans and advances to credit institutions repayable on demand	**44,521,372**	**2,276,639**	**2,276,639**
Term accounts and loans[1]	20,559,123	88,924,391	21,633,393
Securities received under collateralised reverse repurchase agreements	-	-	-
Other securities received under reverse repurchase agreements	-	-	-
Subordinated loans[2]	101,219	101,219	101,219
Non-performing loans	-	-	-
Accrued interest	3,314	15,062	15,062
Gross total	**20,663,656**	**89,040,671**	**21,749,673**
Impairments	**-**	**-**	**-**
Term loans and advances to credit institutions	**20,663,656**	**89,040,671**	**21,749,673**
LOANS AND ADVANCES TO CREDIT INSTITUTIONS	**65,185,028**	**91,317,310**	**24,026,312**

(1) The amount for 2019 includes accounts opened with the CDC: The amounts centralised at the CDC include Livret A, Livret développement durable and Livret épargne populaire accounts. The centralised amounts totalled €67,290,998 thousand in 2019. These are now offset against customer deposits in regulated savings accounts under liabilties. Of which loans to subsidiaries of La Banque Postale Group: €20,148,897 thousand.
(2) These are subordinated loans granted to Crédit Logement to enable the company to comply with its regulatory capital requirements.

2.3 Liabilities due to credit institutions

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Current accounts in credit[1]	1,584,960	2,663,363
Overnight accounts and borrowings	172,970	44,508
Overnight repos		
Securities sold under collateralised repurchase agreements		
Other amounts due	167	19,301
Accrued interest		
Liabilities due to credit institutions repayable on demand	**1,758,097**	**2,727,172**
Term deposits[2]	26,004,410	15,848,155
Assets sold under repurchase agreements		
Securities sold under collateralised repurchase agreements	23,083,771	25,381,969
Accrued interest	(12,565)	47,624
Term liabilities due to credit institutions	**49,075,617**	**41,277,748**
LIABILITIES DUE TO CREDIT INSTITUTIONS	**50,833,713**	**44,004,919**

(1) of which with subsidiaries of La Banque Postale Group: €700,231 thousand at 31 December 2020.
(2) of which with subsidiaries of La Banque Postale Group: €16,704,537 thousand at 31 December 2020.

2.4 Loans and advances to customers

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Trade receivables	-	-
Current accounts in debit[1]	689,820	651,472
Loans to financial sector customers	426,230	347,592
Short-term credit facilities	403	3,565
Home loans	59,474,720	58,583,391
Corporate loans	18,719,398	14,625,790
Loans to the local public sector	9,345,348	8,328,360
Export credits	-	-
Other loans	9,103	11,296
Suspense accounts[2]	16,936	21,846
Securities received under collateralised reverse repurchase agreements	13,145,310	6,865,916
Subordinated loans	-	-
Finance lease transactions	-	-
Loans and advances to customers before allowances	**101,827,268**	**89,439,227**
Allowances for credit losses		
► On current accounts in debit	(56,411)	(60,613)
► On customer loans	(589,491)	(324,220)
LOANS AND ADVANCES TO CUSTOMERS	**101,181,366**	**89,054,394**
of which accrued interest	175,028	131,895
of which non-performing loans and advances	478,094	363,198
of which gross irrecoverable loans and advances	410,451	443,759
of which sensitive restructured loans	271,328	31,817

(1) Amount of advances related to subsidiaries: €66,486 thousand at 31 December 2020.
(2) This item primarily represents receivables relating to discretionary transactions.

2.5 Customer deposits

(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2019 pro forma
Regulated demand savings accounts	91,288,568	86,560,087	86,560,087
Regulated term savings accounts	27,456,886	27,689,113	27,689,113
Accrued interest		1,807	1,807
Regulated savings accounts	**118,745,455**	**114,251,007**	**114,251,007**
Savings deposits centralised with the CDC and recognised in assets	(67,397,430)		(67,290,998)
Regulated savings accounts net of amounts centralised with the CDC	**51,348,025**	**114,251,007**	**46,960,009**
Current accounts in credit*	81,984,951	70,633,758	70,633,758
Accrued interest	6,527	8,790	8,790
Customer current accounts in credit	**81,991,478**	**70,642,548**	**70,642,548**
Borrowings from financial-sector customers	2,867,296	1,254,783	1,254,783
Term deposit accounts in credit	35,000	35,735	35,735
Assets sold under repurchase agreements			
Securities and other assets sold under collateralised repurchase agreements	13,216,975	2,726,240	2,726,240
Other amounts payable to customers	477,703	379,251	379,251
Accrued interest	(6,317)	(667)	(667)
Other liabilities due to customers	**16,590,657**	**4,395,341**	**4,395,341**
CUSTOMER DEPOSITS	**149,930,160**	**189,288,896**	**121,997,898**

* of which €1,093,606 thousand with subsidiaries in 2020 versus €228,084 thousand in 2019.

2.6 Financial transactions – Breakdown by category

	31 Dec. 2020				
		Securities			
(in € thousands)	**Held for trading***	**Available-for-sale**	**Held-to-maturity**	**Portfolio**	**Total**
GOVERNMENT PAPER AND EQUIVALENTS					
Redemption price	1,083,770	5,770,072	17,513,862	-	24,367,704
Unamortised premiums/discounts	-	386,213	579,389	-	965,602
Accrued interest	-	39,862	201,466	-	241,328
Impairments	-	(352)	-	-	(352)
Net carrying amount	**1,083,770**	**6,195,795**	**18,294,717**	**-**	**25,574,282**
of which loaned securities		220,252	770,701	-	990,953
of which listed securities	584,108	6,195,795	18,294,717	-	25,074,620
BONDS AND OTHER FIXED-INCOME SECURITIES					
Redemption price	2,845,109	15,176,214	8,300,000	-	26,321,324
Unamortised premiums/discounts	-	190,429	18,301	-	208,730
Accrued interest	-	66,425	34,467	-	100,893
Impairments	-	(45,271)	-	-	(45,271)
Net carrying amount	**2,845,109**	**15,387,797**	**8,352,768**	**-**	**26,585,674**
of which loaned securities				-	-
of which listed securities	1,293,511	15,072,068	8,352,768	-	24,718,347
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES					
Gross carrying amount	-	489,263	-	55,118	544,382
Accrued income	-	-	-	-	-
Impairments	-	(9,858)	-	(5,017)	(14,875)
Net carrying amount	**-**	**479,405**	**-**	**50,101**	**529,507**
of which loaned securities					-
of which listed securities		157,015			157,015
NET TOTAL BY PORTFOLIO TYPE	**3,928,880**	**22,062,997**	**26,647,485**	**50,101**	**52,689,463**

* The balance sheet value of trading securities corresponds to their market value.

The counterparty risk attached to fixed-income securities is described in detail in Note 2.23.1

During 2020, no available-for-sale securities were transferred to held-to-maturity portfolios.

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 held-to-maturity portfolio's management model.

	31 Dec. 2019				
		Securities			
(in € thousands)	Held for trading*	Available-for-sale	Held-to-maturity	Portfolio	Total
GOVERNMENT PAPER AND EQUIVALENTS*					
Redemption price	1,374,710	5,548,511	20,746,762	-	27,669,983
Unamortised premiums/discounts	-	388,861	852,263	-	1,241,124
Accrued interest	-	37,809	270,896	-	308,704
Impairments	-	-	-	-	-
Net carrying amount	**1,374,710**	**5,975,181**	**21,869,920**	**-**	**29,219,811**
of which loaned securities	240,261	285,530	1,257,740	-	1,783,531
of which listed securities	469,710	5,975,181	21,869,920	-	28,314,811
BONDS AND OTHER FIXED-INCOME SECURITIES					
Redemption price	5,275,284	14,646,901	3,825,000	-	23,747,185
Unamortised premiums/discounts	-	148,530	6,626	-	155,156
Accrued interest	-	76,002	39,755	-	115,757
Impairments	-	(9,834)	-	-	(9,834)
Net carrying amount	**5,275,284**	**14,861,599**	**3,871,381**	**-**	**24,008,264**
of which loaned securities	-	-	-	-	-
of which listed securities	1,525,864	14,457,618	3,871,381	-	19,854,863
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES					
Gross carrying amount	-	609,203	-	56,142	665,345
Accrued income	-	-	-	-	-
Impairments	-	(16,319)	-	(4,085)	(20,404)
Net carrying amount	**-**	**592,884**	**-**	**52,057**	**644,941**
of which loaned securities	-	-	-	-	-
of which listed securities	-	476,610	-	-	476,610
NET TOTAL BY PORTFOLIO TYPE	**6,649,994**	**21,429,663**	**25,741,301**	**52,057**	**53,873,016**

* The balance sheet value of trading securities corresponds to their market value.

During 2019, no available-for-sale securities were transferred to held-to-maturity portfolios.

The sale of debt securities held in the ALM held-to-maturity portfolio during the first half of 2019 was part of the programme to extend the duration of fixed-rate assets to match the longer duration of demand deposits. This corresponded to one of the exceptions from the requirement to sell all the remaining securities in the held-to-maturity portfolio provided for in the standard. The additional disposals carried out during the second half of the year were not material.

2.7 Market value of financial transactions

	Available-for-sale securities		Held-to-maturity securities		Portfolio securities	
(in € thousands)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
GOVERNMENT PAPER AND EQUIVALENTS						
Net carrying amount[1]	6,195,795	5,975,181	18,294,717	21,869,920		
Market value	6,665,037	6,224,419	19,806,443	23,332,656		
BONDS AND OTHER FIXED-INCOME SECURITIES						
Net carrying amount[1]	15,387,797	14,861,599	8,352,768	3,871,381		
Market value	15,505,007	14,909,150	8,361,191	3,929,125		
EQUITIES AND OTHER VARIABLE-INCOME SECURITIES						
Net carrying amount	479,406	592,884			50,101	52,058
Market value and/or value in use for portfolio securities	539,618	707,458			70,215	77,681

(1) Impairment losses are calculated taking into account unrealised gains and losses on any financial instruments designated as hedges of available-for-sale securities.

2.8 Debt securities

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Short-term notes	-	-
Accrued interest	-	-
Short-term notes	**-**	**-**
Interbank securities	-	-
Certificates of deposit	8,264,284	10,890,972
BMTN medium-term notes and TCN money markets	-	-
Accrued interest	2,731	(6,978)
Interbank securities and money market securities	**8,267,015**	**10,883,994**
Bonds	4,118,131	3,600,846
Issue premiums	(18,604)	(15,465)
Accrued interest	18,797	18,723
Bonds	**4,118,324**	**3,604,103**
Other debt securities	1,141,580	772,656
Accrued interest	34	29
Other debt securities	**1,141,614**	**772,686**
DEBT SECURITIES	**13,526,953**	**15,260,783**

2.9 Investments in related companies

	31 Dec. 2020					31 Dec. 2019				
(in € thousands)	Gross carrying amount of securities	Advances	Impair-ments	Net carrying amount of securities	% interest	Gross carrying amount of securities	Advances	Impair-ments	Net carrying amount of securities	% interest
CNP Assurances	2,010,384			2,010,384	42.70%					
SF2	1,143,909			1,143,909	100.00%	1,143,909			1,143,909	100.00%
LBP Consumer Finance (formerly LBP Financement)	376,000			376,000	35.00%	376,000			376,000	35.00%
LBP Prévoyance	291,635			291,635	50.00%	291,635			291,635	50.00%
LBP Leasing & Factoring	275,000			275,000	100.00%	220,000			220,000	100.00%
Ma French Bank	258,000			258,000	99.99%	228,000			228,000	99.99%
LBP Home Loan SFH	210,004			210,004	100.00%	210,004			210,004	100.00%
LBP Assurances IARD	195,200			195,200	35.00%					
BPE	157,627			157,627	100.00%	157,626			157,626	100.00%
SOFIAP	43,034			43,034	66.00%	37,754			37,754	66.00%
LBP Collectivités Locales	650			650	65.00%	650			650	65.00%
TOTAL EQUITY INVESTMENTS AND ADVANCES ELIGIBLE FOR CONSOLIDATION	**4,961,441**			**4,961,441**		**2,665,578**			**2,665,578**	
Of which listed investments	2,010,384									

2.10 Long-term equity interests and other long-term securities

	31 Dec. 2020					31 Dec. 2019				
(in € thousands)	Gross carrying amount of securities	Advances	Impair-ments	Net carrying amount of securities	% interest	Gross carrying amount of securities	Advances	Impair-ments	Net carrying amount of securities	% interest
Certificates of association	213,928			213,928		154,988			154,988	
BPI France Financement	4,008			4,008	n.m.	4,008			4,008	n.m.
Transactis	11,574			11,574	50.00%	11,574			11,574	50.00%
STET	6,917			6,917	5.01%	6,917			6,917	5.01%
Visa Inc	48,958			48,958	n.m.	13,458			13,458	n.m.
Ezyness	20,200		(1,352)	18,848	100.00%	11,200		(11,200)		100.00%
Domiserve	15,000			15,000	100.00%	15,000			15,000	100.00%
KKBB	55,300		(35,793)	19,507	100.00%	44,600		(15,100)	29,500	100.00%
EPI Interim company	1,563			1,563	4.76%					
Other	3,249			3,249		3,757			3,757	
LONG-TERM EQUITY INTERESTS AND OTHER LONG-TERM SECURITIES	**380,697**		**(37,145)**	**343,552**		**265,502**		**(26,300)**	**239,202**	
Of which listed securities										

2.11 Property, plant and equipment and intangible assets

(in € thousands)	1 Jan. 2020	Year-on-year change			31 Dec. 2020			31 Dec. 2019		
	Gross amount	Purchases	Transfers	Disposals	Gross amount	Accumulated depreciation, amortisation and impairment	Net amount	Gross amount	Accumulated depreciation, amortisation and impairment	Net amount
Land	-	-		-	-	-	-	-	-	-
Buildings[1]	375,723	-		-	375,723	-	375,723	375,723	-	375,723
Other operating fixed assets	675,526	41,447	(2,038)	(32,139)	682,796	(550,523)	132,274	675,526	(531,948)	143,579
Property, plant and equipment	**1,051,250**	**41,447**	**(2,038)**	**(32,139)**	**1,058,520**	**(550,523)**	**507,997**	**1,051,250**	**(531,948)**	**519,303**
Set-up costs	-	-	-	-	-	-	-	-	-	-
Franchises, licenses, and patents	324,878	25,882	2,327	(3,144)	349,943	(295,630)	54,312	324,878	(271,759)	53,119
Other intangible assets	1,465,144	168,428	(290)		1,633,282	(1,078,701)	554,581	1,465,144	(846,831)	618,313
Intangible assets	**1,790,022**	**194,310**	**2,037**	**(3,144)**	**1,983,225**	**(1,374,331)**	**608,894**	**1,790,022**	**(1,118,590)**	**671,432**
PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS	**2,841,272**	**235,757**	**(1)**	**(35,283)**	**3,041,744**	**(1,924,854)**	**1,116,891**	**2,841,272**	**(1,650,537)**	**1,190,734**

(1) This item consists of the shares in SCI CRSF and SCI Tertiaire Saint Romain, in accordance with the 2007 recommendations of the French banking and insurance supervisor (ACPR).

2.12 Accruals and other assets

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Prepaid expenses	51,582	51,088
Accrued income from derivatives	281,909	323,458
Other accrued income	571,493	362,341
Revaluation of derivatives and foreign exchange instruments	148	241
Collection accounts	101,964	2,703
Other accruals	537,292	610,907
Accruals	**1,544,388**	**1,350,739**
Purchased options	74,377	48,969
Collective management of Livrets de Développement Durable	-	-
Guarantee deposits paid[1]	1,004,217	725,945
Securities settlement accounts	1,669	677
Accrued income	854	784
Other assets[2]	683,024	927,781
Impairments	(37,271)	(23,920)
OTHER ASSETS	**1,726,869**	**1,680,235**
ACCRUALS AND OTHER ASSETS	**3,271,258**	**3,030,973**

(1) Including €25,000 thousand with subsidiaries.
(2) Including €91,699 thousand with subsidiaries.

2.13 Accruals and other liabilities

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Deferred income	462,860	491,720
Accrued expenses on derivatives	265,272	280,836
Revaluation of derivatives and foreign exchange instruments		
Other accruals[1]	1,135,253	1,468,854
Accruals	**1,863,384**	**2,241,411**
Written options	76,743	49,249
Securities-related liabilities		
Other payables[2]	1,759,324	1,928,429
Securities settlement accounts	7,497	7,748
Accrued income	1,604	1,313
Other liabilities	**1,845,167**	**1,986,739**
ACCRUALS AND OTHER LIABILITIES	**3,708,552**	**4,228,150**

(1) This item primarily represents accruals for the Financial Centres' payment media transactions.
(2) Including €116,315 thousand with subsidiaries.

2.14 Provisions for liabilities and charges

(in € thousands)	31 Dec. 2019	Charges	Utilisations	Reversals of unused provisions	Other changes	31 Dec. 2020
Provisions for post-employment benefits and other employee-related commitments	38,074	11,109	(3,596)		-	45,588
PEL/CEL home savings provisions	183,300	22,000		(1,500)	-	203,800
Other provisions	350,942	189,679	(5,666)	(47,130)	(128)	487,696
Provisions (excluding counterparty risk)	**572,316**	**222,788**	**(9,262)**	**(48,630)**	**(128)**	**737,084**
Signature commitments	-	-	-	-	-	
Provisions for guarantee contracts	3,670	25,555		(900)	(173)	28,152
Provisions for financing commitments	12,342	44,585		(9,624)	173	47,476
Provisions for counterparty risk recorded in liabilities	**16,012**	**70,140**	**-**	**(10,524)**	**-**	**75,628**
PROVISIONS	**588,328**	**292,928**	**(9,262)**	**(59,154)**	**(128)**	**812,712**

2.15 Home savings optionality

Generation (in € millions)	Deposits collected	Loans granted in respect of PEL and CEL accounts	2020 provision	2019 provision	Change
More than 10 years	9,923		109	73	36
4-10 years	15,848		65	89	(24)
Less than 4 years	1,177		6	9	(3)
Total home savings plans (PEL)	**26,948**	**13**	**180**	**171**	**9**
Total home savings accounts (CEL)	**4,381**	**69**	**24**	**12**	**12**
TOTAL	**31,329**	**82**	**204**	**183**	**21**

2.16 Subordinated debt

(in € thousands)	Date of issue	Maturity	Rate	Issue currency	31 Dec. 2020	31 Dec. 2019
Redeemable subordinated debt	30.11.2010	30.11.2020	4.375%	EUR		750,000
Redeemable subordinated debt	23.04.2014	23.04.2026	2.750%	EUR	750,000	750,000
Redeemable subordinated debt	19.11.2015	19.11.2027	2.750%	EUR	750,000	750,000
Redeemable subordinated debt	09.06.2016	09.06.2028	3.000%	EUR	500,000	500,000
Redeemable subordinated debt	05.10.2016	05.10.2028	2.250%	EUR	100,000	100,000
Redeemable subordinated debt	16.01.2017	09.06.2028	3.000%	EUR	150,000	150,000
Redeemable subordinated debt(1)	26.10.2020	26.01.2031	0.875%	EUR	500,000	
Perpetual subordinated debt(2)	18.11.2019	N/A	3.875%	EUR	750,000	750,000
Interest					18,582	20,347
TOTAL					**3,518,582**	**3,770,347**

(1) La Banque Postale issued AT2 bonds in the amount of €500 million on 26 October 2020.
(2) La Banque Postale carried out its inaugural Additional Tier 1 issue on 14 November 2019, in the amount of €750 million.

2.17 Transactions with credit institutions and customers by residual term

(in € thousands)	Accrued interest	Less than 3 months	3 months to 1 year	1 to 5 years	Beyond 5 years	31 Dec. 2020
ASSETS						
Loans and advances to credit institutions	3,132	111,924,902	5,877,105	9,516,722	5,260,598	132,582,458
Loans and advances to customers	161,030	14,056,918	10,026,154	25,296,844	51,640,420	101,181,366
Security portfolios (trading, available-for-sale, held-to-maturity)						
Government paper and equivalents	**203,111**	**519,614**	**4,776,342**	**3,526,627**	**16,548,589**	**25,574,282**
Bonds and other fixed-income securities	**86,331**	**1,526,397**	**1,599,760**	**13,867,126**	**9,497,279**	**26,576,893**
LIABILITIES						
Liabilities due to credit institutions	(12,565)	25,839,649	1,002,220	14,944,689	9,059,720	50,833,713
Customer deposits	(6,302)	216,923,140	379,949	30,803	-	217,327,590
Debt securities						
Bonds	**193**		**101,866**	**1,009,065**	**3,007,200**	**4,118,324**
Interbank securities and money market securities	**2,731**	**6,248,488**	**2,014,396**	**1,400**		**8,267,015**
Other debt securities	**34**			**63,381**	**1,078,199**	**1,141,614**
Subordinated debt	32,182	(13,600)			3,500,000	3,518,582
OFF-BALANCE SHEET						
Financing commitments given		16,823,332	976,653	4,536,260	1,839,051	24,175,296
Guarantee commitments given		4,817,024	1,461,343		6,887	6,285,254

These operations are presented before offsetting the amounts centralised at the Caisse des Dépôts et Consignations against customer deposits in regulated savings accounts.

2.18 Shareholders' equity

(in € thousands)	Fund for general banking risks (FGBR)	Share capital	Additional paid-in capital	Legal reserves	Other reserves and retained earnings	Net profit	Shareholders' equity excluding FGBR	Total share-holders' equity
Equity at 31 December 2016	**22,000**	**4,046,408**	**16,719**	**183,887**	**1,024,456**	**564,066**	**5,835,539**	**5,857,539**
Appropriation of prior year net profit				28,203	535,863	(564,066)		
Prior year dividend					(312,101)		(312,101)	(312,101)
Reversal of regulated provisions								
Net profit for the year						553,183	553,183	553,183
Equity at 31 December 2017	**22,000**	**4,046,408**	**16,719**	**212,091**	**1,248,218**	**553,183**	**6,076,618**	**6,098,618**
Appropriation of prior year net profit				27,659	525,524	(553,183)		
Prior year dividend					(343,769)		(343,769)	(343,769)
Reversal of regulated provisions								
Net profit for the year						124,893	124,893	124,893
Equity at 31 December 2018	**22,000**	**4,046,408**	**16,719**	**239,752**	**1,429,973**	**124,893**	**5,857,743**	**5,879,743**
Appropriation of prior net year profit				6,245	118,648	(124,893)		
Prior year dividend					(326,527)		(326,527)	(326,527)
Capital increase[1]		585,247	214,753				800,000	800,000
Reversal of regulated provisions								
Net profit for the year						288,929	288,929	288,929
Equity at 31 December 2019	**22,000**	**4,631,654**	**231,472**	**245,996**	**1,222,094**	**288,929**	**6,620,144**	**6,642,144**
Appropriation of 2019 net profit				14,446	274,483	(288,929)		
Prior year dividend								
Capital increase[2]		1,953,696	14,643				1,968,339	1,968,339
Reversal of regulated provisions								
Net profit for the year						(409,951)	(409,951)	(409,951)
Equity at 31 December 2020	**22,000**	**6,585,350**	**246,115**	**260,442**	**1,496,577**	**(409,951)**	**8,178,532**	**8,200,532**

(1) On 27 May 2019, La Banque Postale issued €800,000 thousand worth of shares on conversion of Tier 1 subordinated debt (convertible bonds). 5,089,102 new shares were issued, representing an aggregage par value of €585,247 thousand. The share capital of La Banque Postale SA therefore increased from €4,046,408 thousand to €4,631,654 thousand.

(2) On 4 March 2020, la Banque Postale carried out a capital increase of €1,968,339 thousand by issuing 40,033,894 new shares. This took the number of outstanding shares to 80,309,149. The shares were issued in payment for the CNP Assurances shares contributed by the French State and Caisse des Dépôts et Consignations via La Poste.

2.19 Foreign exchange transactions

(in € thousands)	31 Dec. 2020	31 Dec. 2019
Spot transactions:		
euros purchased and not yet received	345,225	223,080
Lending/borrowing transactions:		
Forward foreign exchange transactions:		
euros receivable against currencies to be delivered	1,301,221	920,232
currencies receivable against euros to be delivered	3,711,054	6,486,901
Accrued swap points:		
to be received	5,713	35,240
to be paid	2,491	4,398

2.20 Derivatives transactions

	31 Dec. 2020					
	Position management transactions		Portfolio fair value hedging transactions		Micro-hedging transactions	
(in € thousands)	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
FUTURES AND FORWARDS	**49,165,238**	**35,685**	**30,040,827**	**24,303**	**25,248,282**	**161,669**
Organised markets	**1,318,612**	**7,256**				
Interest rate futures	1,318,612	7,256				
Other contracts						
OTC	**47,846,626**	**28,429**	**30,040,827**	**24,303**	**25,248,282**	**161,669**
Interest rate swaps	42,814,374	92,035	30,040,827	24,303	25,248,282	161,669
FRA						
Other contracts	5,032,252	(63,606)				
OPTIONS	**30,716,876**	**77,570**				
Organised markets						
Interest rate options						
Other options						
OTC	**30,716,876**	**77,570**				
Caps, floors	29,031,932	2,965				
Swaptions	520,000	1,600				
Currency options						
Credit derivatives	1,083,438	(8,502)				
Other options	81,507	81,507				

No derivatives were transferred between categories during the period presented.

	31 Dec. 2019					
	Position management transactions		Portfolio fair value hedging transactions		Micro-hedging transactions	
(in € thousands)	Notional amount	Fair value	Notional amount	Fair value	Notional amount	Fair value
FUTURES AND FORWARDS	**44,088,230**	**139,701**	**29,077,707**	**85,549**	**23,842,245**	**180,456**
Organised markets	**1,008,334**	**1,314**				
Interest rate futures	1,008,334	1,314				
Other options						
OTC	**43,079,896**	**138,387**	**29,077,707**	**85,549**	**23,842,245**	**180,456**
Interest rate swaps	35,721,403	62,665	29,077,707	85,549	23,704,748	189,382
FRA						
Other contracts	7,358,493	75,721			137,497	(8,926)
OPTIONS	**22,619,725**	**272,744**				
Organised markets						
Interest rate options						
Other contracts						
OTC	**22,619,725**	**272,744**				
Caps, floors	18,309,324	(3,203)				
Swaptions	310,000	808				
Currency options						
Credit derivatives	3,709,663	(15,598)				
Other options	290,738	290,738				

No derivatives were transferred between categories during the period presented.

2.21 Offsetting of financial assets and liabilities

A financial asset and a financial liability are offset and shown in the balance sheet for their net amount when La Banque Postale has a legally enforceable right to offset the amounts recognised, and has the intention either to settle the net amount or to realise the asset and settle the liability simultaneously. A financial asset and a financial liability covered by a master netting arrangement or similar agreement meeting the definition of an enforceable contract (legally enforceable right to offset securities with the same maturity against cash), which can be exercised under all conditions but does not meet the offsetting criteria, are presented for their net amounts when they concern the same legal entity.

The tables below show the amounts of financial assets and liabilities that are offset in the La Banque Postale's balance sheet as well as the amounts that can be offset in accordance with master netting arrangements or similar agreements, but are not eligible to be offset in La Banque Postale's financial statements. The net positions resulting from the various offsets are not intended to measure La Banque Postale's exposure to counterparty risk on these financial instruments.

2020 Assets

	(a)	(b)	(c) = (a) – (b)	(d)		(e)	(f) = (c) - (d) - (e)
				Amounts not offset			
(in € thousands)	Gross carrying amount of financial assets	Gross carrying amount of financial liabilities offset in the financial statements	Net financial asset	Financial instruments	Cash collateral received	Securities received and not recorded in the balance sheet	Net carrying amount
Derivatives (market value)	2,398,348		2,398,348	1,467,533	713,133		217,682
Reverse repos and loaned securities (amortised cost)	18,655,960	2,713,172	15,942,788	1,820,434	1,352	14,121,002	
Other financial assets	17,305		17,305	7,256			10,049
TOTAL	**21,071,613**	**2,713,172**	**18,358,441**	**3,295,223**	**714,485**	**14,121,002**	**227,731**

2020 Liabilities

	(a)	(b)	(c) = (a) – (b)	(d)		(e)	(f) = (c) - (d) - (e)
				Amounts not offset			
(in € thousands)	Gross carrying amount of financial liabilities	Gross carrying amount of financial assets offset in the financial statements	Net financial liability	Financial instruments	Cash collateral paid	Securities delivered and not recorded in the balance sheet	Net carrying amount
Derivatives (market value)	1,657,534		1,657,534	1,467,533	170,426		19,575
Reverse repos and loaned securities (amortised cost)	38,985,573	2,713,172	36,272,401	1,819,656	211,733	34,236,863	4,149
Other financial liabilities							
TOTAL	**40,643,107**	**2,713,172**	**37,929,935**	**3,287,189**	**382,159**	**34,236,863**	**23,724**

2019 Assets

	(a)	(b)	(c) = (a) – (b)	(d)		(e)	(f) = (c) - (d) - (e)
				Amounts not offset			
(in € thousands)	Gross carrying amount of financial assets	Gross carrying amount of financial liabilities offset in the financial statements	Net financial asset	Financial instruments	Cash collateral received	Securities received and not recorded in the balance sheet	Net carrying amount
Derivatives (market value)	2,421,134	-	2,421,134	1,199,110	1,085,594	-	136,430
Reverse repos and loaned securities (amortised cost)	12,873,706	4,115,761	8,757,946	687,719	57,132	8,006,313	6,782
Other financial assets	4,782	-	4,782	1,314	-	-	3,468
TOTAL	**15,299,622**	**4,115,761**	**11,183,861**	**1,888,143**	**1,142,726**	**8,006,313**	**146,680**

2019 Liabilities

	(a)	(b)	(c) = (a) – (b)	(d)		(e)	(f) = (c) - (d) - (e)
				Amounts not offset			
(in € thousands)	Gross carrying amount of financial assets	Gross carrying amount of financial liabilities offset in the financial statements	Net financial asset	Financial instruments	Cash collateral received	Securities received and not recorded in the balance sheet	Net carrying amount
Derivatives (market value)	1,361,776	-	1,361,776	1,199,110	150,549	-	12,116
Reverse repos and loaned securities (amortised cost)	32,207,783	4,115,761	28,092,022	687,477	1,919,272	25,469,656	15,617
Other financial liabilities	-	-	-	-	-	-	-
TOTAL	**33,569,559**	**4,115,761**	**29,453,798**	**1,886,587**	**2,069,821**	**25,469,656**	**27,734**

2.22 Financial instruments by maturity

	31 Dec. 2020				31 Dec. 2019			
(in € thousands)	Less than 1 year	1 to 5 years	Beyond 5 years	Total	Less than 1 year	1 to 5 years	Beyond 5 years	Total
FUTURES AND FORWARDS	**26,445,295**	**47,990,593**	**30,018,459**	**104,454,347**	**26,600,897**	**41,361,111**	**29,046,174**	**97,008,182**
Interest rate futures	1,318,612			1,318,612	1,008,334			1,008,334
Index futures								
Interest rate swaps	21,108,269	47,073,674	29,921,540	98,103,483	19,124,392	40,442,307	28,937,159	88,503,858
FRA								
Other contracts	4,018,414	916,919	96,919	5,032,252	6,468,170	918,804	109,015	7,495,990
OPTIONS	**3,387,881**	**20,962,088**	**6,366,907**	**30,716,876**	**1,100,550**	**17,346,602**	**4,172,572**	**22,619,725**
Caps, floors	3,277,881	19,468,601	6,285,450	29,031,932	900,500	13,289,646	4,119,178	18,309,324
Swaptions	110,000	410,000		520,000	30,000	280,000		310,000
Currency options								
Credit derivatives		1,083,437		1,083,437		3,709,663		3,709,663
Other contracts		50	81,457	81,507	170,050	67,294	53,394	290,738

2.23.1 Credit risk

(in € thousands)	Gross performing loans	Gross non-performing loans	Gross irrecoverable loans	Gross at 31 Dec. 2020	Gross at 31 Dec. 2019
Loans and advances to credit institutions	132,582,458			132,582,458	91,317,310
Loans and advances to customers	100,938,723	478,094	410,451	101,827,268	89,439,227
of which current accounts in debit	620,402	12,592	56,826	689,820	651,472
of which loans to financial sector customers	426,202	28		426,230	347,592
of which short-term credit facilities	191	30	182	403	3,565
of which home loans	58,858,022	274,730	341,968	59,474,720	58,583,391
of which corporate loans	18,527,350	189,672	2,376	18,719,398	14,625,790
of which local public sector loans	9,344,309	1,039		9,345,348	8,328,360
of which export credits					
of which other credit		4	9,099	9,103	11,296
Portfolio of fixed-income securities[1]	26,576,893			26,576,893	24,008,264
Government paper	25,574,282			25,574,282	29,219,811
Financing commitments and guarantee contracts	30,432,608	16,975	10,967	30,460,550	31,532,211
TOTAL	**316,104,963**	**495,070**	**421,418**	**317,021,451**	**265,516,823**

(1) Excluding government paper.

These operations are presented before offsetting the amounts centralised at the Caisse des Dépôts et Consignations against customer deposits in regulated savings accounts.

2.23.2 Allowances for credit losses

(in € thousands)	31 Dec. 2019	Charges	Reversals (utilisations)	Other changes	31 Dec. 2020
Loans and advances to credit institutions					
Loans and advances to customers	384,834	638,133	(377,063)	-	645,905
of which current accounts in debit	60,614	82,452	(86,654)		56,413
of which loans to financial sector customers	1,421	10,428	(1,348)		10,501
of which short-term credit facilities	2,050	27,474	(1,112)		28,412
of which home loans	233,224	292,571	(250,974)		274,821
of which corporate loans	75,928	224,869	(34,508)		266,289
of which local public sector loans	374	339	(344)		369
of which export credits	-				-
of which other credit	11,223	-	(2,123)		9,100
Other assets	23,920	23,009	(9,649)		37,280
Available-for-sale portfolio (fixed-income securities)					
Held-to-maturity portfolio					
Total fixed-income securities					
Total loss allowances deducted from assets*	**408,753**	**661,142**	**(386,712)**	**-**	**683,183**
Execution risks on signature commitments					-
Other allowances for counterparty risk					-
Loss allowances for guarantee contracts	3,670	25,555	(900)	(173)	28,152
Loss allowances for financing commitments	12,342	44,585	(9,624)	173	47,476
Provisions recorded in liabilities	**16,012**	**70,140**	**(10,524)**	**-**	**75,628**
TOTAL ALLOWANCES FOR COUNTERPARTY RISKS	**424,765**	**731,282**	**(397,236)**	**-**	**758,811**
Gross performing loans	92,681	345,145	(117,736)		320,090
Gross non-performing loans	107,988	159,044	(114,637)		152,395
Gross irrecoverable loans	208,083	156,954	(154,339)		210,698

* Including loss allowances deducted from assets

3 NOTES TO THE INCOME STATEMENT

3.1 Interest on cash and interbank transactions

(in € thousands)	2020	2019
Interest on current accounts in debit	5,317	2,499
Interest on accounts and loans	984,436	1,167,968
Negative interest on demand and term loans	49,294	3,413
Interest on assets received under reverse repurchase agreements	-	-
Interest on securities received under collateralised reverse repurchase agreements	8,221	11,419
Negative interest on securities sold under collateralised repurchase agreements	140,399	120,554
Other interest income	315	15
INTEREST INCOME FROM CASH AND INTERBANK TRANSACTIONS	**1,187,981**	**1,305,869**
Interest on current accounts in credit	(70,234)	(4,597)
Interest on demand and term borrowings	(106,097)	(128,996)
Negative interest on accounts and loans	(30,672)	(64,478)
Interest on securities sold under collateralised repurchase agreements	(2,418)	(2,880)
Negative interest on securities received under collateralised reverse repurchase agreements	(23,167)	(12,613)
Other interest expense	(65)	(71)
INTEREST EXPENSE ON CASH AND INTERBANK TRANSACTIONS	**(232,653)**	**(213,635)**

Interest income on accounts and loans includes the income from funds centralised with Caisse des Dépôts et Consignations (CDC).

This income covers the interest paid to depositors shown under “Interest expense on transactions with customers” and the additional income received by La Banque Postale.

3.2 Interest on customer transactions

(in € thousands)	2020	2019
Interest on current accounts in debit	32,182	36,433
Interest on trade receivables	-	-
Interest on short-term credit facilities	45,384	36,481
Interest on equipment loans	85,090	85,895
Interest on home loans	1,028,549	1,077,767
Other interest income	77,873	71,604
Interest on other loans and assets received under reverse repurchase agreements	7	3
Negative interest on term accounts in credit, borrowings and assets sold	10,527	4,318
Interest on securities received under collateralised reverse repurchase agreements	89	148
Negative interest on securities sold under collateralised repurchase agreements	46,071	12,598
Other interest income[1]	33,479	120,054
INTEREST INCOME FROM CUSTOMER TRANSACTIONS	**1,359,251**	**1,445,302**
Interest on current accounts in credit	(16,808)	(19,545)
Interest on term accounts in credit, borrowings and assets sold under repurchase agreements	(1,258)	(5,347)
Interest on securities sold under collateralised repurchase agreements	-	-
Negative interest on securities received under collateralised reverse repurchase agreements	(59,651)	(9,535)
Interest on special savings accounts	(1,162,948)	(1,333,591)
Other interest expense	(14,765)	-
INTEREST EXPENSE ON CUSTOMER TRANSACTIONS	**(1,255,430)**	**(1,368,018)**

(1) Including €68,600 thousand corresponding to the reversal of the PEL/CEL home savings provision in 2019.

3.3 Interest on fixed-income securities

(in € thousands)	2020	2019
Interest income on available-for-sale securities	233,361	253,316
Interest income on held-to-maturity securities	373,921	531,469
Other interest income	152,703	166,232
INTEREST INCOME FROM BONDS AND OTHER FIXED-INCOME SECURITIES	**759,985**	**951,016**
Interest on negotiable certificates of deposit and BMTNs	(224)	(68,111)
Interest and expenses on bond issues	(59,214)	(55,840)
Other interest expense	(126,608)	(161,313)
Interest on subordinated debt	(125,774)	(127,104)
INTEREST EXPENSE ON BONDS AND OTHER FIXED-INCOME SECURITIES	**(311,820)**	**(412,368)**

3.4 Other interest

(in € thousands)	2020	2019
Income from foreign exchange instruments	-	-
Income from interest rate instruments	217,866	209,555
OTHER INTEREST INCOME	**217,866**	**209,555**
Expenses on foreign exchange instruments	-	-
Expenses on interest rate instruments	(58,179)	(47,653)
OTHER INTEREST EXPENSE	**(58,179)**	**(47,653)**

3.5 Income from variable-income securities

(in € thousands)	2020	2019
Income from equities and other variable-income securities.	5,477	16,888
Income from portfolio securities	5,495	3,796
Income from long-term equity interests	13,834	232,208
INCOME FROM VARIABLE-INCOME SECURITIES	**24,806**	**252,892**

3.6 Fees and commissions

	2020		2019	
(in € thousands)	Income	Expenses	Income	Expenses
Cash and interbank transactions	75,691	(4,745)	56,110	(4,570)
Customer transactions	1,015,188	(63,625)	799,330	(56,805)
Securities transactions	0	(6,427)	-	(5,337)
Derivatives transactions	-	(530)	-	(446)
Provision of financial services	1,421,502	(185,648)	1,575,556	(200,232)
Foreign exchange transactions	-	0	-	-
Other fees and commissions	38,285	-	40,487	-
FEES AND COMMISSIONS	**2,550,666**	**(260,974)**	**2,471,483**	**(267,390)**

3.7 Gains or losses on trading portfolio transactions

(in € thousands)	2020	2019
Gain (loss) on trading portfolio transactions	(5,202)	(3,536)
Gain (loss) on foreign exchange instrument transactions	142,551	(2,432)
Gain (loss) on derivatives transactions	(137,383)	(206,719)
GAINS OR LOSSES ON TRADING PORTFOLIO TRANSACTIONS	**(34)**	**(212,687)**

3.8 Gains or losses on available-for-sale portfolio transactions

(in € thousands)	2020	2019
Gain (loss) on disposal of available-for-sale securities	82,892	171,300
Other income and expenses on available-for-sale securities	-	-
Impairment/reversals of impairment on available-for-sale securities and gains (losses) on related hedging transactions	(23,125)	135,558
Gains or losses on available-for-sale securities transactions	**59,767**	**306,859**
Gain (loss) on disposals of portfolio securities	0	0
Impairment/reversals of impairment on portfolio securities	(933)	(489)
Gains or losses on portfolio securities transactions	**(933)**	**(489)**
GAINS OR LOSSES ON AVAILABLE-FOR-SALE PORTFOLIOS	**58,834**	**306,369**

3.9 Other banking income and expenses

	2020		2019	
(in € thousands)	Income	Expenses	Income	Expenses
Re-invoiced expenses, retroceded income, and transfers of expenses	19,689	-	24,686	-
Other operating income and expenses	6,455	(64,459)	10,069	(50,185)
Provisions/reversals recorded in other operating income and expenses	9,132	(25,600)	13,121	(9,297)
Other banking income and expenses	**35,275**	**(90,059)**	**47,875**	**(59,483)**
NET BANKING INCOME AND EXPENSES		**(54,784)**		**(11,607)**

3.10 Payroll costs

(in € thousands)	2020	2019
Wages and salaries	(258,550)	(238,965)
Pensions	(21,772)	(15,308)
Payroll taxes	(108,951)	(97,847)
Discretionary and statutory profit sharing	(14,599)	(14,834)
Payroll-based taxes	(34,165)	(29,079)
Other expenses	(10,017)	(14,485)
PAYROLL COSTS	**(448,054)**	**(410,517)**
Amount of attendance fees paid to directors	524	421

Remuneration paid during the year to the members of the Executive Board amounted to €2,432 thousand.

As of 31 December 2020, La Banque Postale had made no supplementary pension arrangements for Executive Board members.

No other transaction was entered into with members of the Executive Board that was not on arm's length terms.

3.11 Headcount

	2020	2019
Civil servant staff	468	501
Contract staff	2,904	2,682
TOTAL HEADCOUNT(1)	**3,372**	**3,183**
Management grade	2,982	2,822
Non-management grade	390	361
TOTAL HEADCOUNT(1)	**3,372**	**3,183**

(1) Headcount expressed in annual full-time equivalent employees at year-end.

3.12 Other general operating expenses

(in € thousands)	2020	2019
Taxes other than on income	(42,450)	(21,879)
Lease payments	-	-
Rents and rental expenses	(113,360)	(114,390)
Fees	(168,108)	(165,006)
Other operating expenses[1]	(3,377,253)	(3,451,033)
OTHER GENERAL OPERATING EXPENSES	**(3,701,171)**	**(3,752,308)**

(1) This item notably includes expenses under the service agreements between La Poste and La Banque Postale for €2,738,062 thousand.

3.13 Re-invoicing

(in € thousands)	2020	2019
Personnel costs re-invoiced at cost[1]	37,452	35,515
General expenses other than personnel costs re-invoiced at cost	119,705	102,948
RE-INVOICING	**157,157**	**138,463**

(1) Including re-invoicing to La Poste of €3,866 thousand for staff working for the two companies.

3.14 Depreciation, amortisation and impairment

(in € thousands)	2020	2019
Depreciation and amortisation of operating assets	(308,688)	(167,607)
of which depreciation of property, plant and equipment	(49,583)	(53,154)
of which amortisation of intangible operating assets	(143,930)	(114,453)
Reversals of depreciation and amortisation of operating assets	-	-
Net depreciation and amortisation	**(193,513)**	**(167,607)**
Impairment of operating assets	(115,175)	-
Reversals of impairment losses on operating assets	-	-
Net impairment losses	**-**	**-**
NET DEPRECIATION, AMORTISATION AND IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS	**(308,688)**	**(167,607)**

3.15 Cost of risk

(in € thousands)	2020	2019
Charges to allowances on		
Loans and advances to credit institutions and customers	(717,272)	(490,274)
Signature commitments	-	-
Available-for-sale securities	(6,218)	-
Sundry debtors	(3,377)	(6,252)
CHARGES TO ALLOWANCES	**(726,868)**	**(496,526)**
Reversals of allowances on		
Loans and advances to credit institutions and customers	387,766	462,247
Signature commitments	-	-
Sundry debtors	5,324	3,786
REVERSALS OF ALLOWANCES	**393,090**	**466,032**
Losses and recoveries		
Losses on signature commitments	-	-
Credit losses covered by allowances	(33,147)	(54,261)
Credit losses not covered by allowances	(19,591)	(19,601)
Recoveries on loans written down in full	16,937	4,339
LOSSES AND RECOVERIES	**(35,801)**	**(69,523)**
COST OF RISK	**(369,579)**	**(100,016)**

Changes in allowances relating to a counterparty risk are described in Note 2.23.2

3.16 Gains or losses on non-current assets

(in € thousands)	2020	2019
Gains or losses on disposals of property, property, plant and equipment	(69)	(105)
Gains or losses on disposals of intangible assets	-	(6)
GAINS OR LOSSES ON DISPOSALS OF PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS	**(69)**	**(111)**
Gains or losses on disposals of long-term equity interests and gains or losses on advances	(80)	-
Gains or losses on disposals of held-to-maturity securities and other long-term securities	356,351	321,573
Impairment/reversals of impairment	(10,845)	(8,699)
Gains or losses on disposals of securities and other long-term securities	(10,845)	(8,699)
GAINS OR LOSSES ON TRANSACTIONS INVOLVING LONG-TERM EQUITY SECURITIES AND OTHER LONG-TERM SECURITIES	**345,425**	**312,874**
GAINS OR LOSSES ON NON-CURRENT ASSETS	**345,356**	**312,763**

3.17 Income tax

(in € thousands)	2020	2019
Corporate income tax	(70,487)	(140,977)
INCOME TAX EXPENSE	**(70,487)**	**(140,977)**
Tax loss carryforwards		

NOTE 4 INFORMATION ON THE AUDIT OF THE FINANCIAL STATEMENTS

	Statutory auditors of La Banque Postale			
	PricewaterhouseCoopers Audit		KPMG	
(amounts including unrecoverable taxes, in € thousands)	Amount	%	Amount	%
Statutory audit, review of the Company and consolidated financial statements	831	95%	938	93%
Services other than statutory audit[1]	40	5%	68	7%
TOTAL	871	100%	1,006	100%

(1) Comfort letter regarding the updating of the Base Prospectus for LBPSA's debt issuance programme (March 2020) and two comfort letters concerning the issues carried out in June 2020 and October 2020.

NOTE 5 INFORMATION ON TRANSACTIONS WITH RELATED PARTIES

All transactions carried out by La Banque Postale with related parties were on arm's length terms.

NOTE 6 DETAIL OF BUSINESS LOCATIONS IN NON-COOPERATIVE TERRITORIES

La Banque Postale does not conduct any business or have any locations in fiscally non-cooperative territories as defined in Article 238-0 A of the General Tax Code.

NOTE 7 INFORMATION CONCERNING THE SUBSIDIARIES AND LONG-TERM EQUITY INTERESTS HELD BY LA BANQUE POSTALE AT 31 DECEMBER 2020

(in € thousands)	SF2[1]	SCI Tertiaire Saint Romain[2]	SCI CRSF Métropole[3]	SCI CRSF DOM[4]	BPE[5]	LBP Home Loan SFH[6]	Ma French Bank[7]
Siren number	424,176,238	478,301,286	445,061,369	445,047,442	384,282,968	522,047,570	828,624,759
Share capital	1,053,574	64,002	256,412	2,333	102,411	210,000	228,000
Reserves and retained earnings before appropriation of net profit	354,794	4,849	14,138	607	14,662	2,205	(11,853)
Share of capital held (%)	100%	99.99%	99.99%	99.94%	100%	100%	99.99%
Carrying amount of securities held							
▶ Gross	1,143,909	117,000	256,392	2,332	157,626	210,004	258,000
▶ Net	1,143,909	117,000	256,392	2,332	157,626	210,004	258,000
Loans and advances granted by the Company and not yet repaid	-	49,976	-	-	2,958,779	25,000	-
Amount of sureties and guarantees given by the Company	-	-	-	-	89,692	21,725,184	-
Last published net revenue(*)	146	14,119	42,476	601	104,129	4,530	(3,441)
Last published net profit (loss)	205,837	4,442	10,958	345	18,414	1,444	(46,265)
Dividends received by the Company in the current financial year	-	2,886	10,948	-	-	-	-
Notes	Holding company	Property leasing	Property leasing	Property leasing	Banking	Financial advisor	Banking

This chart only shows the companies with a book value above €2 million (less than the equivalent of 1% of La Banque Postale's capital).

(1) 115, rue de Sèvres 75275 Paris Cedex 06.
(2) 115, rue de Sèvres 75275 Paris Cedex 06.
(3) 115, rue de Sèvres 75275 Paris Cedex 06.
(4) 115, rue de Sèvres 75275 Paris Cedex 06.
(5) 62 rue du Louvre, 75002 Paris.
(6) 115, rue de Sèvres 75275 Paris Cedex 06.
(7) 115, rue de Sèvres 75275 Paris Cedex 06.

* Depending on the subsidiary's business, revenue is presented if it is a trading company, and net banking income is presented if it is a bank or finance company.

Domiserve[8]	La Banque Postale Leasing & Factoring[9]	SOFIAP[10]	Ezyness[11]	LBP Prévoyance[12]	KissKiss BankBank[13]	Transactis[14]	LBP Consumer Finance[15]	LBP IARD[16]	CNP Assurances[17]
797,829,983	514,613,207	391,844,214	522,058,544	419,901,269	512,211,004	479,874,257	487,779,035	493,253,652	341,737,062
50	220,000	60,138	7,060	5,202	5,005	23,148	2,200	161,142	686,618
977	(8,149)	30,598	-	214,003	4,513	18	708,615	(26,973)	10,768,817
100%	100.00%	66.00%	100.00%	50.00%	100.00%	50.00%	35.00%	35.00%	42.70%
15,000	275,000	43,034	20,200	291,635	55,300	11,574	376,000	195,200	2,010,383
15,000	275,000	43,034	18,848	291,635	19,507	11,574	376,000	195,200	2,010,383
-	9,703,319	2,168,935	-	-	8,529	11,926	5,327,858	-	-
-	3,645,325	200,000	-		-	-			
1,048	19,008	20,612	906	533,569	2,474	129,241	282,321	170,400	1,686,098
446	(22,119)	1,581	(2,242)	75,291	(3,540)	(31)	63,957	(53,062)	1,343,388
-	-	-	-	-	-	-	-	-	-
Personal service vouchers	Finance company	Finance company	Financial advisor	Insurance company	Crowdfunding company	Financial services – Holding company	Loan distribution	Insurance company	Insurance company

(8) 106 avenue Marx Dormoy 92120 Montrouge.
(9) 115, rue de Sèvres 75275 Paris Cedex 06.
(10) 7 r Pierre Levée 75011 Paris.
(11) 115, rue de Sèvres 75275 Paris Cedex 06.
(12) 10 Place de Catalogne 75014 Paris.
(13) 34 rue de Paradis 75010 Paris.
(14) Immeuble Delta – 1/3 bd des Bouvets – 92000 Nanterre.
(15) 1-3 avenue François Mitterand 93200 Saint-Denis.
(16) 30, Boulevard Gallieni – 92130 Issy-les-Moulineaux.
(17) 4, Place Raoul Dautry – 75015 Paris.

NOTE 8 LA BANQUE POSTALE – FIVE-YEAR FINANCIAL SUMMARY

(in euros)	2016	2017	2018	2019	2020
Financial position					
Share capital	4,046,407,595	4,046,407,595	4,046,407,595	4,631,654,325	6,585,350,218
Number of shares	35,186,153	35,186,153	35,186,153	40,275,255	80,309,149
Comprehensive income					
Revenue*	7,110,660,813	7,284,155,033	6,909,831,901	6,564,988,235	6,179,830,956
Profit before tax, depreciation, amortisation and provisions	630,611,923	755,347,375	550,101,422	508,222,820	303,001,243
Income tax	(76,357,888)	(187,745,716)	(5,107,654)	(140,976,863)	(70,486,952)
Net profit	564,066,406	553,183,004	124,893,058	288,928,951	(409,951,293)
Distributed income (proposed)	312,101,177	343,768,715	326,527,500	351,200,224	171,058,487
Per share data					
Earnings per share after tax, before depreciation, amortisation and provisions	15.72	15.72	15.49	9.12	2.90
Earnings per share	16.03	15.72	3.55	7.17	(5.10)
Dividend per share (proposed)	8.87	9.77	9.28	8.72	2.13
Employee data					
Average headcount	2,526	2,713	2,957	3,169	3,292
Total payroll	163,848,588	176,181,220	196,013,751	212,626,297	226,761,694
Amounts paid for employee benefits (social security, welfare organisations, etc.)	89,710,337	94,860,267	96,949,126	112,332,165	118,968,438

* Total banking income (including profits or losses from financial transactions for their net amount).

5.5 STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 December 2020

To the General Meeting

La Banque Postale SA

115, rue de Sèvres

CP S202

75275 PARIS Cedex 06

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying financial statements of La Banque Postale SA for the year ended 31 December 2020.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Financial Statements Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code (*Code de commerce*) and the French Code of Ethics (*Code de déontologie*) for Statutory Auditors for the period from 1 January 2020 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by Article 5(1) of Regulation (EU) no. 537/2014.

Observation

Without qualifying our opinion, we draw your attention to the change in accounting policy resulting from the application of Regulation 2020-10 of the French accounting standards authority (*Autorité des normes comptables* – ANC) relating to (i) the presentation of customer deposits in regulated savings accounts together with the associated savings centralised with Caisse des Dépôts et Consignations, and (ii) to the presentation of securities borrowing. The impacts of this change are detailed in Note 1.1 to the Company financial statements.

Justification of assessments – Key audit matters

Due to the global crisis related to the Covid-19 pandemic, the financial statements for the year ended 31 December 2020 have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Provisions for credit risks in relation to commitments to customers

Description of risk

La Banque Postale records provisions to cover proven risks of default by its customers. The related exposures cover non-doubtful outstandings and commitments that present a credit risk indicator, which may be linked to a significant deterioration since they were granted or to a particularly vulnerable situation, as well as doubtful receivables and commitments.

The provisions for impairment and risks are estimated on an individual basis using statistics, based on internal and external scores associated with a probability of default (PD) and loss given default (LGD) that are modelled, or on the opinion of experts, taking into account the value of the guarantees provided.

Assessing credit risk provisions for outstanding loans and commitments to customers requires management to use judgement to identify exposure to risks of non-recovery and to determine recoverable future cash flows and the time required for their collection.

Given the importance of this judgement in the process for determining these provisions, we considered the estimates for expected credit losses on loans to customers at 31 December 2020 to be a key audit matter.

At 31 December 2020, gross outstanding loans to customers amounted to €101.2 billion, including €888.5 million of gross doubtful outstandings, and the provisions for doubtful receivables and for receivables deemed sensitive totalled €645.9 million as indicated in Notes 2.23.1 and 2.23.2 to the annual financial statements. Financing commitments and guarantee contracts granted to customers totalled €30.5 billion, and the related provisions totalled €75.6 million. The principles for establishing credit risk provisions are detailed in Section 2 "Receivables due from credit institutions and customers – Signed commitments" of Note 1 "Accounting principles and methods" of the notes to the annual financial statements.

How our audit addressed this risk

We familiarised ourselves with the internal control system implemented by the Company to identify sensitive or doubtful loans and commitments, and to measure the amount of impairment and provisions.

We tested the effectiveness of the controls we deemed key to our audit, put in place by the Company to identify sensitive loans, to classify them as doubtful, to measure the value of guarantees received, and to ensure data is correctly processed by the operational IT systems and transferred to the accounts department.

We also familiarised ourselves with the work and main conclusions drawn by the bank's Special Committees responsible for monitoring sensitive, doubtful or disputed loans, and reviewed the documentation explaining the reasons for the level of provisions established.

For the statistical provisions determined on a model basis:

- We verified that a governance system is in place that ensures a suitably regular review of the appropriateness of the impairment models and parameters used to calculate impairment;
- We assessed the correct calibration of the parameters used to calculate impairment at 31 December 2020;
- We assessed how the main economic impacts of the health crisis in updating impairments models and parameters were taken into account, as well as the additional measures for identifying sensitive files.

We also examined the documentation underlying the identification of sensitive files, as well as files with a deteriorated credit risk, and performed counter calculations on the main loan portfolios.

For corporate loans, we assessed the procedures used to select and supervise cases on the "watchlist" and doubtful files, as well as the estimation procedures and their impairment. Based on a sample of credit files selected on the basis of materiality and risk criteria, we also performed counteranalyses of the amounts provisioned and, in this regard, we particularly assessed their proper discounting and valuation in the current economic environment.

We analysed the changes in sensitive and doubtful outstandings in the year, as well as changes in their coverage by means of impairment.

Lastly, we also examined the appropriateness of the disclosures provided in the notes to the financial statements.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Executive Board's management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements, with the exception of the item described below.

Concerning the fair presentation and the consistency with the financial statements of the disclosures provided in relation to the payment terms referred to in Article D. 441-6 of the French Commercial Code, we have the following matter to report: as indicated in the management report, these disclosures do not include banking and related transactions as the Company considers that such disclosures are not within the scope of disclosures to be provided.

Report on corporate governance

We attest that the Supervisory Board's report on corporate governance sets out the information required by Articles L. 225-37-4 and L. 22-10-10 of the French Commercial Code.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the management report.

Other verifications and information pursuant to legal and regulatory requirements

Presentation of the financial statements to be included in the annual financial report

Pursuant to paragraph III of Article 222-3 of the French Prudential Control Authority's General Regulations, the Company's management informed us of its decision to postpone the application of the single electronic reporting format, as defined by European Delegated Regulation no. 2019/815 of 17 December 2018, to reporting periods beginning on or after 1 January 2021. Accordingly, this report does not contain a conclusion on the compliance of the presentation of the financial statements to be included in the annual financial report referred to in paragraph I of Article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) with this format.

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of La Banque Postale SA by the Ordinary and Extraordinary General Meetings of Shareholders held on 28 April 2004 for PricewaterhouseCoopers Audit and on 27 May 2010 for KPMG SA.

At 31 December 2020, KPMG SA and PricewaterhouseCoopers Audit were in the eleventh and seventeenth consecutive year of their engagement, respectively.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Financial Statements Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Executive Board.

Responsibilities of Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- Evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Financial Statements Committee

We submit a report to the Financial Statements Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Financial Statements Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Financial Statements Committee with the declaration provided for in Article 6 of Regulation (EU) no. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Financial Statements Committee.

Neuilly-sur-Seine and Paris La Défense, 11 March 2021

The Statutory Auditors

PricewaterhouseCoopers Audit		**KPMG S.A.**	
Agnès Hussherr	Jérôme-Eric Gras	Marie-Christine Jolys	Pierre Planchon
Partner	Partner	Partner	Partner

SUMMARY
PRO FORMA FINANCIAL INFORMATION

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5bis.1 DESCRIPTION OF THE TRANSACTION

The La Banque Postale and CNP Assurances merger was finalised on 4 March 2020. Caisse des Dépôts and the French State contributed their respective 40.9% and 1.1% interests in CNP Assurances (together the "Transactions") 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 31 December 2020.

5bis.2 PRINCIPLES OF PRESENTATION OF *PRO FORMA* FINANCIAL INFORMATION

5bis.2.1 Objectives of pro forma financial information

The pro forma financial information presented is intended to illustrate, for information purposes only, the effects of the Transactions on La Banque Postale's income statement for the financial period ended 31 December 2020, as if the Transactions had occurred on 1 January 2020.

5bis.2.2 Regulatory basis

The pro forma financial information is prepared in accordance with Note 20 of Delegated Regulation No. 2019/980 completing European Regulation No. 2017/1129 and the French Prudential Control Authority's position/recommendation DOC-2021-02, which sets out recommendations concerning pro forma financial information in its the third section.

Paragraph 2.1 of this section states that *"when an issuer prepares a prospectus that concerns marketable securities, any significant change in gross values and impact on the issuer's assets, liabilities and income creates an obligation to provide pro forma financial information. Article 1 of Delegated Regulation No. 2019/980 defines this significant change in gross values as a change of more than 25% in one or several of the issuer's key business indicators"*.

Acquisition of a controlling interest in CNP Assurances, which is now fully-consolidated by La Banque Postale Group, generates a change in excess of 25% in the Group's main aggregates.

Furthermore, ESMA guidelines on prospectuses, published on 15 July 2020, state that if the transaction is already fully reflected in the balance sheet presented in the historical financial information included in the prospectus, it is not necessary to provide a pro forma balance sheet. However, a pro forma income statement must be included if the income statement in the most recent annual financial statements does not fully reflect the impact of the transaction.

The AMF also stipulates that the information provided in the financial statements in accordance with IFRS 3.B64q does not replace the pro forma financial information prepared in accordance with the regulations concerning prospectuses and vice versa.

In its 2019 Universal Registration Document, La Banque Postale provided pro forma financial information in respect of its commitment to acquire CNP Assurances.

Consequently, this Universal Registration Document only includes a pro forma income statement for 2020. Moreover, the full impacts of the Transactions on the 2020 financial statements at the acquisition date are provided in Note 3 "Business combinations" to the consolidated financial statements.

5bis.2.3 Setup assumptions

The pro forma financial information at 31 December 2020 presented in this chapter was prepared using the annual consolidated financial statements of La Banque Postale Group for the financial year ended 31 December 2020. The basis for the preparation of the pro forma financial information is as follows:

- the pro forma financial information was prepared in accordance with the accounting methods used to prepare La Banque Postale's consolidated annual financial statements for the financial year ended 31 December 2020;
- the pro forma financial information is based on estimates and does not necessarily reflect the amounts that would have been reported in the consolidated financial statements if CNP Assurances had been a fully-consolidated subsidiary since 1 January 2020. The information was prepared as follows:
  - consolidation of CNP Assurances' income from 4 March 2020 to 31 December 2020 using the "overlay approach" under IFRS 9, which factors in the impact of purchase price allocation at the acquisition date and subsequent amortisation of the fair value adjustments recognised on the amounts allocated. It is based on published income and the related amounts are presented in the "La Banque Postale Group's published income statement for year ended 31 December 2020" column. Note 3 "Business combinations" details the impacts of the Transactions on the published consolidated financial statements,

- full consolidation of CNP Assurances' income from 1 January 2020 to 3 March 2020 using the "overlay approach" under IFRS 9 as regards financial instruments. The income consolidated is therefore based on information provided by CNP Assurances for this period, prepared under IFRS 9,
- for the period between 1 January 2020 and 3 March 2020, amortisation of value adjustments to the assets and liabilities of CNP Assurances following purchase price allocation is calculated on a pro rata basis against the amounts recognised for the period from 4 March 2020 to 31 December 2020. This amortisation expense is included in the "Estimated income of CNP Assurances 1 January 2020 – 3 March 2020 on a full consolidation basis" column. It represents a negative amount of €70 million in net banking income (NBI), a negative €58 million in consolidated net profit and a negative €30 million in attributable net profit,
- reversal of the Group's equity-accounted interest in CNP Assurances for the period between 1 January 2020 and 3 March 2020 and reversal of first-time consolidation entries;

- presentation of the pro forma financial information in bank format, based on the publication format used by La Banque Postale for its financial statements;
- the intragroup transactions were eliminated in accordance with the rules applied for the preparation of La Banque Postale Group's consolidated financial statements. These primarily concern commissions, re-invoicing and reinsurance transactions between CNP Assurances and La Banque Postale Group entities;
- the pro forma income statement presented in this chapter is intended to provide an understanding of the new group over a 12-month period.

5bis.3 *PRO FORMA* FINANCIAL INFORMATION

The pro forma income statement prepared for the year ended 31 December 2020 is presented below:

(in € millions)	La Banque PostalePublished income statementfor the year ended 31 December 2020	Estimated income of CNP Assurances1 January 2020 – 3 March 2020 on a full-consolidation basis	*Pro forma adjustments*	La Banque Postale Group – Pro forma income statement with an estimate of CNP Assurances income for 12 months
NET BANKING INCOME	**7,724**	**521**	**-**	**8,246**
Operating expenses	(5,224)	(168)		(5,392)
Net depreciation, amortisation and impairment of property, plant and equipment and intangible assets	(487)	(20)		(507)
GROSS OPERATING PROFIT	**2,013**	**334**	**-**	**2,346**
Cost of risk	(674)	(17)		(691)
OPERATING PROFIT	**1,339**	**317**	**-**	**1,656**
Share of profits of equity-accounted companies	690	1	(637)	53
Gains and losses on other assets	(1,500)	(0)	1,578	78
Goodwill	4,578	-	(4,578)	-
PRE-TAX PROFIT	**5,107**	**317**	**(3,637)**	**1,787**
Income tax	(419)	(104)		(523)
NET PROFIT	**4,688**	**213**	**(3,637)**	**1,264**
Non-controlling interests	533	110		643
ATTRIBUTABLE NET PROFIT	**4,155**	**103**	**(3,637)**	**621**

The pro forma **net banking income** of La Banque Postale in 2020, determined by fully consolidating CNP Assurances for 12 months, was €8,246 million.

The impact of CNP Assurances on pro forma NBI amounted to €521 million, split mainly between income and expenses from other activities.

On this basis, the allocation of NBI on a pro forma basis would be:

- Retail Banking: 60%;
- Insurance Division: 38%;
- Asset Management: 2%.

Pro forma **operating profit** was €1,656 million.

Pro forma adjustments for a negative amount of €3,637 million may be broken down by line item as follows:

- share of profits of equity-accounted companies (negative €637 million): this amount corresponds to the restatement of the equity-accounted interest in CNP Assurances Group between 1 January 2020 and 3 March 2020 (negative €44 million) and the recycled components of its other comprehensive income at the acquisition date (recycling of unrealised gains and losses on financial assets at fair value through equity for a negative amount of €594 million);
- gains and losses on other assets for a positive amount of €1,578 million: this corresponds to the restatement of the loss recognised following fair-value remeasurement of the interest in CNP Assurances at 4 March 2020 and derecognition of the equity-accounted value of the shares at the same date;
- changes in the value of goodwill for a negative amount of €4,578 million: this corresponds to the reversal of previously recognised negative goodwill.

Pro forma **attributable net profit** therefore amounted to €621 million.

5bis.4 STATUTORY AUDITORS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION

La Banque Postale SA

Registered office: 115, rue de Sèvres – 75275 Paris Cedex 06, France

Share capital: €6,585,350,218

Statutory Auditors' report on the Pro Forma Financial Information for the financial year ended on 31 December 2020

For the year ended 31 December 2020

This is a free translation into English of the statutory auditor's 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.

To the Chairman of the Executive Board,

In our capacity as statutory auditors and in application of Regulation (EU) No. 2017/1129 completed by Delegated Regulation (EU) No. 2019/980, we prepared this report on the pro forma financial information of La Banque Postale SA (the "Company") for the financial year ended on 31 December 2020 included in Section 5 bis of the Universal Registration Document (the "Pro Forma Financial Information").

This Pro Forma Financial Information has been prepared for the sole purpose of illustrating the impact that La Banque Postale SA's acquisition of a controlling interest in CNP Assurances might have had on the consolidated income statement of the Company for the year ended 31 December 2020, had it taken place with effect from 1 January 2020. By its very nature, this information is based on a hypothetical situation and is not necessarily representative of the financial position or the performance that would have been reported, had the transaction or event taken place at an earlier date than the actual date.

This Pro Forma Financial Information has been prepared under your responsibility, in accordance with the provisions of European Regulation No 2017/1129 and ESMA's recommendations regarding pro forma financial information.

It is our duty, based on our work, to express an opinion, in the terms required by Annex 20, Section 3 of Delegated Regulation (EU) No. 2019/980 on the correctness of the preparation of the Pro Forma Financial Information with respect to the basis indicated.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures, which include neither an audit nor a limited review of the financial information used as a basis to prepare the Pro Forma Financial Information, mainly consisted in ensuring that the information used to prepare the pro forma information was consistent with the underlying documents, as described in the notes to the Pro Forma Financial Information, reviewing the evidence supporting the pro forma adjustments and conducting interviews with the management of the Company to obtain the information and explanations we deemed necessary.

In our opinion:

- the Pro Forma Financial Information was correctly prepared on the basis indicated;
- this basis is consistent with the accounting policies applied by the issuer.

This report has been issued solely for the purposes of registering the Universal Registration Document with the AMF and cannot be used for any other purpose.

Paris La Défense, 19 March 2021
KPMG SA

Marie-Christine Jolys
Partner

Pierre Planchon
Partner

Neuilly-sur-Seine, 19 March 2021
PricewaterhouseCoopers Audit

Agnès Hussherr
Partner

Jérôme-Éric Gras
Partner

NON-FINANCIAL PERFORMANCE DECLARATION (DPEF) – CORPORATE SOCIAL RESPONSIBILITY (CSR) 6

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6.1 CSR ISSUES AND GOVERNANCE FOR LA BANQUE POSTALE

6.1.1 La Banque Postale's business model

6.1.1.1 Strong ties with Le Groupe La Poste

After 15 years existence, La Banque Postale, a wholly-owned subsidiary of the La Poste Group, has become a bancassurer that has built upon La Poste's financial services base to create a full range of products and services for all types of retail and business customers.

La Banque Postale has a close relationship with Le Groupe La Poste, and is its main bank. Le Groupe La Poste is also a service provider, supplying staff to La Banque Postale who act "in the name of and on behalf of" La Banque Postale. Counter services are provided by the post offices across La Poste's Distribution Network.

The relationship between La Banque Postale and La Poste is governed by a framework agreement which sets out the general principles and responsibilities of La Poste and La Banque Postale, together with implementation agreements.

It is thanks to its subsidiary La Banque Postale that Le Groupe La Poste has been able to successfully perform the general interest mission for accessible banking entrusted to it by the legislator: La Banque Postale's *Livret A* account is the key feature underpinning this accessible banking mission, not only because of its universal nature, but also ease of access and the basic banking services provided free-of-charge.

La Banque Postale is thus a singularly unique bank that prioritises local presence, accessibility and a commitment to serving the interests of the general public.

6.1.1.2 A leading European bancassurer

Since its creation, La Banque Postale has continued to develop and diversify with home and consumer and mortgage loans, property and casualty insurance, banking services for business customers, private banking services, asset management, etc.

In 2020, as part of the creation of a major state-owned financial unit built around Caisse des Dépôts, La Banque Postale became a leading European bancassurer with a 62.8% stake in CNP Assurances. CNP Assurances is set to become the Group's sole insurance product provider.

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

- **Retail banking**, its historical core business, offering banking products and services to retail and corporate customers and local public entities;
- **insurance**, offered through its life, personal risk, property and casualty, and medical insurance products;
- **asset management**, provided by its asset management subsidiaries which offer savings and investment products to retail and business customers.

La Banque Postale encompasses three distinct banking brands serving nearly 20 million customers (of which 10 million active customers).

- La Banque Postale for the mass market;
- BPE for wealth management services;
- Ma French Bank for 100% digital banking.

6.1.1.3 Development built on a multi-partner model

As part of its development since 2006, La Banque Postale has implemented a very active multi-partner policy based on the pooling of expertise, technology and access to a range of customer groups. Through these partnerships, La Banque Postale has been able to rapidly develop new business lines, relying on the expertise of standard-setters in each field.

The multi-partner business model is notably at the heart of CNP Assurance's business model, as the insurer continues its diversification and international development.

The partners and partnerships are described in detail in sections 1.4.1 Retail banking, 1.4.2 Insurance and 1.4.3 Asset Management of this Universal Registration Document.

6.1.1.4 Value creation for all stakeholders

La Banque Postale creates value by taking into account all stakeholders and fulfilling its societal and environmental commitments.

These commitments are recognised by the non-financial rating agencies: it is thus the leading bank in the latest annual classification by Vigeo Eiris - the standard-setter for non-financial ratings - and the tenth-ranking company worldwide in all economic sectors.

In asset management, La Banque Postale has a forward-looking policy with its subsidiary LBP AM, which was the first asset manager in France to have earned the State SRI label for nearly 100% of its eligible funds.

In Retail Banking, it makes a major contribution to banking inclusion thanks to its public service mission and its accessibility for financially vulnerable segments of the public. La Banque Postale also contributes to regional development by serving as the partner of choice for local public entities.

The ambitions underpinning its 2021-2030 strategic plan will confirm its commitments for the benefit of all. La Banque Postale will be particularly focused on:

- improving the quality of customer service while ramping up digitalisation;
- encouraging the energy transition of retail and business customers;
- developing responsible saving;
- combating social and regional inequalities;
- developing employee skills.

The table below provides an overview of the ways in which resources are mobilised and impact created:

Resources and assets	Value creation
Customers - 10.3 million active retail customers - 338,500 business customers and local public entities **Human capital** - 30,400 employees working for the bank - *École de la Banque et du Réseau* **Corporate capital** - Accessible banking mission - Responsible purchasing policy **Financial capital** - €32.4 billion in equity - Financial ratings: Fitch (A-/F1) and S&P (A/A-1) - Non-financial ratings: Vigeo-Eiris: 71/100; ISS-ESG: B- "prime", Sustainalytics: 91/100; MSCI: AA; CDP: A- **Natural capital** - 100% of electricity purchased from green energy sources - Carbon neutrality across the operational scope	**For our customers - once again become France's favourite bank** - 1.5 million people given access to banking services - 1.4 million financially vulnerable customers - 43 DEDT business centres - 50 BPE service desks at post offices **For our employees - involve our employees through skills development** - 122,844 training days provided to employees of La Banque Postale, Financial Services, the Banking Advice Line and the subsidiaries. - 57% of executive grade employees are women **For society - promote a proactive and determined environmental transition without exacerbating social inequalities** - Leading lender to local authorities - nationwide coverage with 17,085 contact points - 62,283 tCO_2 of GHG emissions offset - zero funding for fossil fuel projects - €52 billion in responsible investment under management; 100% of LBP AM open-end funds labelled SRI **For our shareholder, La Poste - Increase earnings and consolidate financial strength** - €4,155 million in attributable net income - €171 million in dividends **For the planet - Be a major financial contributor to the ecological and energy transition**

This model is underpinned by a cautious risk management policy (see the sections on Governance and Risk Management).

6.1.1.5 A growth dynamic which reflects a changing environment

Since 2018, La Banque Postale has been adapting its business model in response to the major trends affecting the market in which it operates: persistently low interest rates and macro-economic uncertainties; practices and businesses undergoing a digital revolution; stiffer competition and threats to the traditional banking model; major environmental and social challenges.

This transformation is driven by the 2014-2020 growth plan *Osons créer la banque de demain* (Daring to create the bank of tomorrow) and the project to create a major public financial unit, as announced by the Minister of the Economy and Finance. This project aims to harness the skills of La Banque Postale, Caisse des Dépôts, Bpifrance and CNP Assurances to strengthen regional cohesion and combat regional inequalities. (See the sections on the objectives of the 2020 development plan, and the planned merger of La Banque Postale and CNP Assurances).

6.1.1.6 CSR at the heart of La Banque Postale's business model, and a factor in its response to the Sustainable Development Goals

In 2020 La Banque Postale reaffirmed its support for developing more sustainable finance and, as one of the signatories of the Principles for Responsible Banking, it is committed to aligning its strategy with the United Nations Sustainable Development Goals (SDGs):

While La Banque Postale contributes to the achievement of the 17 SDGs through its business, its lending and its investments, its business model explicitly focuses on five of the UN SDGs:

- **SDG 3: "Health and well-being"**

While 2020 was shaped by the Covid-19 health crisis, La Banque Postale bolstered its financing of hospitals with more than €700 million granted in 2020, supplemented by €300 million in interest-free loans. La Banque Postale's subsidiary CNP Assurances also contributes significantly to this SDG with 38 million personal risk/protection policyholders. Going beyond the contractual obligations provided for in its group personal risk policies, it dedicated €50 million to cover the sick leave cost of employees for reasons such as caring for their children. It also donated 200,000 masks to hospitals and doctors in response to French authorities' appeals to the business community.

- **SDG 8: "Promote sustained and sustainable economic growth shared by all, full productive employment and decent jobs for everyone"**

La Banque Postale demonstrates its ability to provide widespread access to its banking, financial and insurance services through products and services that are accessible to all (Livret A, *Simplicité option, etc.*) and suited to individual needs (student loans, comprehensive home insurance for young people and students, etc.). Through the mission of banking accessibility entrusted to it, La Banque Postale specifically addresses target 8.10: "Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all."

La Banque Postale also helps meet the goal of full employment and decent jobs for everyone: 97% of its employees have permanent employment contracts and 100% are covered by collective bargaining agreements. For its subsidiary CNP Assurances, the rates are 96% and 97% respectively.

With its presence throughout France, La Banque Postale supports the growth of local authorities and companies through specific products and services (green loans for local authorities, micro-credit, finance solutions for micro, small and medium enterprises). In this way La Banque Postale contributes to local economic development and regional growth.

Lastly, La Banque Postale strives to ensure that its suppliers share its values by having them sign a Responsible Purchasing Charter, underlining the importance of respect for Human Rights, Labour Standards and the Environment.

- **SDG 10: "Reduce inequality"**

In line with SDG 8, La Banque Postale is constantly mindful of vulnerable populations through its accessible banking mission. Through its products, such as the *Simplicité* account and micro-credit solutions, or the creation of Appui, a platform to support customers in financial difficulty, La Banque Postale helps customers become independent and participate in society, regardless of their economic situation.

Intent on ensuring equal opportunity and eliminating discriminatory practices, La Banque Postale has made strong commitments to diversity and inclusion at each step of its employees' careers: recruitment, promotion and job opportunities, development, maternity/paternity, end of career, etc.

With the creation of "L'Envol, La Banque Postale's campus", the bank demonstrates its commitment to promoting equal opportunity and reducing the income gap beyond its own sphere of activity and makes a broader contribution at the societal level. 520 young people benefited in 2020 from the support of 645 employees.

- **SDG 13: "Take urgent action to combat climate change and its effects" and SDG 7: "Ensure access to affordable, reliable, sustainable and modern energy for all"**

Aware of the challenges facing the climate and the environment, La Banque Postale is developing across its entire business, product and service offerings to meet the challenges of the energy and environmental transition.

For private customers, it has developed a special finance offer to encourage energy-saving home improvements and green vehicles. In 2018, La Banque Postale launched an on-line energy self-diagnostics platform developed in partnership with Économie d'Énergie to advise and assist retail customers who want to renovate their home and improve its energy performance.

For regional authorities, in 2019 La Banque Postale developed green loans, designed to fund projects relating to the environmental and energy transition (green transport, water, sanitation, waste recovery, energy saving improvements for public buildings, renewable energy generation). Since 2019, €800 million worth of green loans have been granted in support of more than 100 projects.

In order to assist more players in their transition, in 2020 La Banque Postale extended its offer of green loans to businesses. Small- and medium-sized companies may also finance their energy and environmental transition projects with the help of dedicated green loans. Aligned with the demanding criteria of the EU Green Taxonomy, these green loans are eligible for refinancing through green bonds.

With regard to asset and project finance, La Banque Postale has, since its creation, chosen to exclusively finance the development of renewable energies and to exclude any fossil fuel-related financing. At end-2020, outstanding financing of renewable energy projects stood at €2 billion, in line with the Bank's goal of €3 billion outstanding by 2023.

In terms of investment, supporting the energy transition is one of the four analysis criteria on which LBPAM bases its SRI philosophy. Taking its commitment to a higher level, since June 2019 LBPAM has been implementing an innovative coal policy hailed by NGOs as one of the best in the marketplace. LBPAM also has a thematic fund dedicated to the energy transition: the LBPAM Responsable Actions Environnement fund, which enables customers to invest via European markets in environmental themes, notably climate action. This fund's assets under management more than doubled in 2020 and have now reached €780 million. LBPAM has also begun to offer a green bond fund this year. With €10.2 million under management at end-2020, this fund enables business customers and the general public to direct their savings toward the financing of the energy transition.

For its part, CNP Assurances has set itself the goal of reaching €20 billion under management in green investments. At end-2020, the goal was close to attainment with green investments totalling €17.2 billion. CNP Assurances has adopted a plan for a definitive exit from thermal coal and tightened the exclusion criteria in its carbon policy, also recognised by NGOs as one of the best in the marketplace.

Having acted responsibly in exercising its banking and insurance activities, La Banque Postale aims for its own performance to be exemplary. By achieving a 32% reduction in its emissions over the 2013-2020 period, the Bank reached and surpassed the goal it had set in 2015 to reduce its greenhouse gas emissions by 20%. Indeed, on a like-for-like basis, the reduction reached 56%. In 2018, La Banque Postale became one of the first banks in the world to be carbon-neutral across its entire operational scope In 2020, it undertook to reach net-zero emissions across all its portfolios by 2040.

6.1.2 Materiality of the main non-financial issues and risks

6.1.2.1 Materiality of CSR issues

La Banque Postale's CSR Standards, developed in accordance with ISO 26000, has been used as the basis for constructing a rating scale for CSR issues. This materiality analysis, for measuring the importance of these issues in the eyes of internal and external stakeholders, was updated in 2019 and used to map the most relevant issues for La Banque Postale.

Five factors appear in the top quartile of the scale as being important for stakeholders and having a considerable impact for La Banque Postale:

- **two social factors:** "Professional development" and "Human rights and diversity management", illustrating the importance of the HR policies developed by the Bank, which regularly sets the benchmark for these topics in assessments by extra-financial ratings agencies (see section on "Commitments to employees");
- **two customer factors:** "Customer Manager Relationship" and "Responsible Offering", which underline the approach historically adopted by La Banque Postale of placing the customer's interests first, even though the digital transformation and data use have become major strategic challenges. Banks must compete with fintech and new arrivals on the banking scene, keen to benefit from the opportunities created by Big Data and artificial intelligence. The updating of the product design tool (ESG checklist) begun at the end of 2020 also addresses the theme of "Responsible Offering";
- the **fifth factor, "Responsible Finance"**, highlights the importance of CSR considerations for banking and insurance businesses and the rise of climate finance. This reflects the increasing importance of ad hoc regulatory contexts and the expectations of civil society and ratings agencies, keen to see proof of progress towards meeting the United Nations' sustainable development goals.

The launch of the Green Range to coincide with the COP21 (see section on Responsible Offering), positive incentive loans for businesses, green loans for local authorities in 2019 and for businesses in 2020, and the strong growth of specific green funds (environmental, social and/or human rights) provide such proof. The launch of the Digital Banking Inclusion Plan in 2017 avoids excluding people who are not comfortable with new digital practices. The transition to 100% SRI asset management at the end of 2020 also helps promote responsible finance.

The concept of responsible finance also highlights the importance of **managing non-financial and climate risks**, a crucial challenge since the publication of Article 173 of the Energy Transition for Green Growth Act. In 2020, La Banque Postale reinforced its 2015 policy of measuring the exposure to climate risk using six-monthly analyses of the exposure of its Corporate and Investment Bank to non-financial risks. By measuring the carbon intensity of its portfolios, La Banque Postale is now able to make its investment decisions based on the carbon impact (see the section on "Management of extra-financial risks"). In 2020, La Banque Postale's participation in the pilot exercise of the ACPR climate stress test enabled it to test the robustness of its models and measure the exposure of its balance sheet to credit risk and market risk in relation to varying climate scenarios.

6.1.2.2 The main non-financial risks for La Banque Postale

6.1.2.2.1 Non-financial risk identification methodology

In addition to the external and internal risks identified in chapter 4 of this Universal Registration Document, the Bank has conducted a non-financial risk assessment to supplement this analysis.

In 2019, for each of the major external trends identified as having an impact on La Banque Postale and listed in the business model (see chapter 6.1.1.6), the Strategy Department and CSR Unit identified the associated risks. The outcome was a list of eleven risks, six of which have non-financial relevance and are already covered by the Bank's CSR policy (see next chapter):

- partial match between the services offered and customer (digital) expectations;
- pressure to adapt the offer to social and environmental requirements;
- risk of disintermediation, especially in the business relationship;
- employee skills gap;
- non-compliance with new regulatory requirements (transparency, reporting etc.);
- governance arrangements and processes inadequate for new risks.

A second assessment of the potential non-financial risks for La Banque Postale was also conducted, in collaboration with the Operational Risk Department, starting with a basic set of 113 feared events (operational risks) for which scenarios have been designed and revised by an expert consulting firm. The creation of the basic risk universe also included consultation with members of the La Banque Postale Executive Committee (top-down approach) and the risk managers of the Bank entities (bottom-up approach).

The environmental, social and governance risks (ESG) contained within this basic risk universe have been identified via an exhaustive three-step research approach:

- identification of the risks of non-compliance with the regulatory CSR obligations;
- updating the materiality test, and workshops with the entire CSR stream to identify CSR risks;
- application of a filter to high-impact risks in terms of social and image/reputational risk.

A single rule is applied across the Group for measuring risk criticality:

- the type of impact is assessed in four areas: financial, human, regulatory/legal, image/reputation (including the risk of an adverse impact on La Banque Postale's non-financial rating);
- assessment of the frequency of the risk.

Criticality is a combination of impact and frequency and is assessed on a scale of 1 to 4 (minor, moderate, major and critical).

This exercise identified approximately fifteen risks.

In 2020, following the integration of CNP Assurances into the La Banque Postale Group, the non-financial risks specific to CNP Assurances (i.e., those not already identified and covered by La Banque Postale) were added to the risk map. While the health crisis has not altered the list of risks, it has underlined the need to closely monitor some of them.

6.1.2.2.2 La Banque Postale's main non-financial risks

These various assessments have identified La Banque Postale's main non-financial risks and illustrate the way they are covered by the CSR policy, in accordance with the risk management system described in the following paragraph.

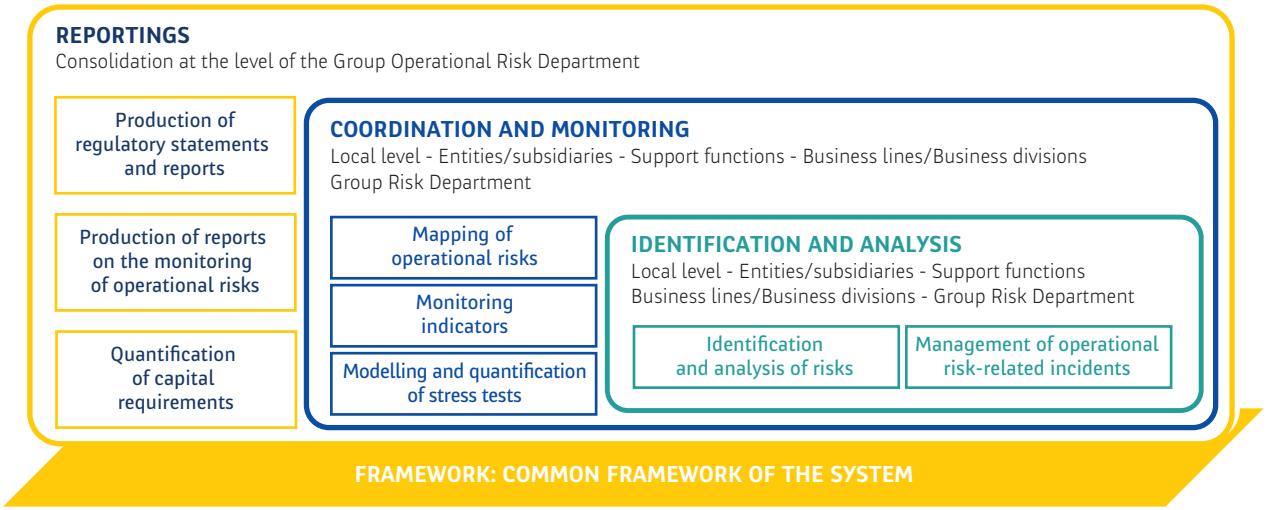
Risk families	Risks identified	Risk handling	Tracking indicators
	Image (including CSR image vis-à-vis non-financial rating agencies)	See Section 6.1.2 Materiality of the main non-financial issues and risks	Quality of the non-financial ratings
	Delayed development due to new modes of consumption	See Chapter 6.2.1.6 Designing and proposing a responsible service offering	SRI outstandings Green loans outstandings Positive incentive loans outstandings
	Social exclusion (accessibility, digital divide)	See Chapter 6.2.1.1 Promote physical and digital access by all to all of our financial products and services	% of *Livret A* accounts with a balance below €150 Number of customers assisted by CRESUS Number of customers assisted by Appui Number of *Simplicité* accounts
Economic risks	Data confidentiality	See Chapter 6.2.1.5.5 Responsible marketing and data protection policy	GDPR training
	Financing for controversial projects in the regions	See Chapter 6.2.1.7.2 Applying non-financial criteria to corporate and investment activities	Level of ESG risk exposure
	Non-compliance with business ethics and ethical behaviour (of which, tax evasion)	See Chapters 6.2.1.7.4 Ethics: better risk management for business, and 6.2.1.7.5 Preventing tax evasion	% of employees trained in AML/CFT
	Inability to maintain and improve customer satisfaction, lack of transparency with customers in relation to products, failure to advise (forced sale, etc.)	See Chapter 6.2.1.5 Guarantee an ethical and quality customer relationship	Customer satisfaction rate Customer complaints rate Average satisfaction score of users of the e-beneficiaries website, ebeneficiaire.cnp.fr
Economic risks	Risk of failure to match insurance products and services with the consequences of longer life expectancy and to provide support for policyholders with health problems	Responsible insurance	Creditor insurance rejection rate
	Lack of, or inadequate, inclusion of ESG criteria in insurance business (creation of products, underwriting, reassurance)	Responsible insurance	Outstanding units of account managed according to ESG criteria

Risk families	Risks identified	Risk handling	Tracking indicators
Social risks	Mismatch between skills and market expectations	See Chapter 6.2.2.1 Supporting mobility and training employees	Number of hours of training Number of hours of training per employee Number of employees on banking courses leading to a qualification or diploma
	Working conditions (including, PSR, burnout, absenteeism, etc.)	See Chapter 6.2.2.4 Promoting quality of life at work and employee well-being	Absentee rate for illness Frequency rate of workplace accidents Number of employees teleworking Rate of employee turnover
	Discrimination	See Chapter 6.2.2.5 Guaranteeing equal opportunity in hiring, careers and promotions	Average gross annual compensation for women Average gross annual compensation for men % of women in the workforce % of women among management-grade staff, among strategic management-grade staff, on the Executive Committee, on the Supervisory Board
Societal risks	Mismanagement of CSR commitment in the value chain (including respect for Human Rights/DDV)	See Chapter 6.2.3.2.2 non-financial criteria for assessing risk and selecting and monitoring suppliers	Number of Responsible Purchasing Charters signed by suppliers
	Deterioration in relationships with suppliers	See Chapter 6.2.3.2. Have a committed procurement policy with suppliers	Number of Responsible Purchasing Charters signed by suppliers
Environmental risks	Energy consumption and GHG emissions	See Section 6.2.4.1.1. Reduce the Bank's direct carbon footprint	LBP's total carbon footprint Emissions linked to buildings
	Climate risks (physical and transition)	See Chapters 6.2.1.7.3 Measuring exposure to climate risk, and 6.2.4.2 Managing the environmental footprint of its products and services	% of responsible paper Number of tonnes of waste paper collected by Recygo Level of exposure of the portfolios to stranded assets Level of exposure of the real estate portfolios to natural disasters

Cross-functionally, a risk of "regulatory, environmental, societal and information transparency non-compliance" has also been identified. This risk is in addition to the governance-related risk of "Governance arrangements and processes inadequate for new risks" (see previous chapter), as identified in the business model and covered in the section below on "CSR governance and policy".

6.1.2.2.3 CSR risk management system

The risk management system deployed by La Banque Postale is also applicable to CSR risks. It is illustrated in the diagram below and described in chapter 4 of this Universal Registration Document.



La Banque Postale uses a proportionality principle for all risks that are actioned.

Integrating non-financial risks into operational risks

Under the Group's risk management system, the business lines are responsible for identifying and handling operational risks, which include non-financial risks.

This principle is reinforced by La Banque Postale's governance process for new products and services. A non-financial risk analysis is always included in the risk assessment whenever a proposal is submitted to the Product Review Committee (see the section on the systematic inclusion of ESG criteria in product and service design).

In order to help project leaders investigate the non-financial risks of their projects, an ESG checklist (see the section on Systematic inclusion of ESG criteria in product and service design) has also been added to their operational management process. This tool helps them to analyse the risks and impacts associated with a given project from a CSR standpoint.

The ESG checklist is an integral part of the risk assessment process and is a document which must be presented to the Product Review Committee. Based on the results of the ESG checklist, La Banque Postale's CSR Unit undertakes an objective analysis of the ESG issues that have been highlighted and launches awareness campaigns where necessary.

Lastly, the operational risks rating table also contains CSR as one of the elements that comprises the image impact of a risk, and ensure non-financial elements are included in the assessment of operational risks.

Operational risk mapping is a risk reporting and management tool which is used and monitored at entity level. Since 2017, it has been used to track risk of failing to meet social, societal and environmental commitments. This enables the CSR Unit to periodically ensure the risk remains relevant given changes to the business, and to identify the actions and measures required.

Moreover, our management of cross-functional operational risks has allowed us to improve our monitoring of these risks by applying a standard risk management framework across La Banque Postale Group. The following are investigated by each entity of La Banque Postale Group:

- **corruption risks**, in accordance with law 2016-1691 of 9 December 2016 relating to transparency, the fight against corruption and the modernisation of the economy (the Sapin II Act);
- **business ethics** risks: conflicts of interest, internal fraud or external fraud with internal complicity, misuse of or non-compliance with access rights and security clearances, inappropriate disclosure of confidential data.

The risks related to **law** no. 2017-399 of 27 March 2017 on the corporate **duty of vigilance** for parent and initiating companies were investigated for matters related to Purchasing.

6.1.3 CSR governance and policy

6.1.3.1 A CSR policy based on the expectations of La Banque Postale's stakeholders

La Banque Postale's CSR policy has revolved around four complementary commitments since 2018:

- commitment to customers;
- commitment to employees;
- commitments to society and the regions;
- commitments to the planet.

It consists of 13 priority missions each broken down into dedicated projects and coupled with performance indicators and qualitative and quantitative targets. The progress made with each of these missions is described in chapter 6.2.

Commitments	Missions
Commitment to customers	Guarantee (physical and digital) access to financial products and services for all
	Promote an ethical and high quality customer relationship
	Design and propose a responsible product and service offering
	Ensure systematic and rigorous management of non-financial risks
Commitments to employees	Support mobility and train employees
	Promote quality of life at work and employee well-being
	Guarantee equal opportunity in hiring, careers and promotions
Commitments to society and the regions	Promote regional development and the local economy
	Have a committed procurement policy with suppliers
	Promote employees' civic commitment
Commitments to the planet	Reduce the Bank's direct environmental footprint, notably thanks to the carbon fund
	Facilitate the energy transition thanks to our products and services
	Promote the emergence of a circular economy

6.1.3.2 La Banque Postale's governance in terms of Corporate Social Responsibility

La Banque Postale's CSR policy is governed by its Management Committee, which is chaired by the Chairman of the Executive Board and discusses the topic formally twice a year. The Management Committee validates the selected projects, decides on the major strategic directions regarding CSR and ensures that the proposed projects make CSR a factor of differentiation, performance and profitability for La Banque Postale. In 2020, the Management Committee was thus able, amongst other achievements, to assess La Banque Postale's progress in terms of managing climate risk and compare its system with the marketplace's progress, reflect on the implications of the future EU Taxonomy, confirm the action plans to respond to the Principles for Responsible Banking, validate the new figure of €10.50 per tonne emitted as the Bank's social cost of carbon, confirm the new financial envelope for the internal carbon fund with the enlarged scope and highlight progress on non-financial ratings.

A key employee incentive is the fact that with the renewal of the salary and benefits aggregation scheme, the share of the scheme linked to the Bank's CSR performance has increased from 20% to 25%. The salary and benefits aggregation payments are calculated based on operating income (75%) and the CSR rating (25%). This action reflects La Banque Postale's aim of involving all of its employees in its sustainable development process. In addition, the variable share of the remuneration paid to strategic executives is also based on CSR indicators.

6.1.4 Stakeholder dialogue

In order to better identify the expectations of the various parties associated with La Banque Postale, in 2017 the CSR Unit set up an internal focus group (combining human resources, purchasing, communication, marketing, the Distribution Network and the Corporate Department) with the aim of listing and prioritising key stakeholders. In 2019, La Banque Postale took part in a similar project run by Le Groupe La Poste. The stakeholders most important to La Banque Postale and with the strongest relationship are:

- BtoB and BtoC customers and consumer groups;
- employees, unions and employee representative bodies;
- public authorities, local authorities, elected officials and subcontractors;
- organisations which drive social responsibility and sustainable development initiatives, NGOs and solidarity;
- shareholders.

La Banque Postale's CSR policy is structured around these main stakeholders which are also included in the business model.

6.1.4.1 Participation in consultations with consumer groups

La Banque Postale has been involved in the Level 1 consultation with Le Groupe La Poste's consumer associations (since 1989). Twice a year, the Chairman of the Executive Board meets the national spokespersons of approved consumer groups.

6.1.4.2 Collaboration with the groups

La Banque Postale has a close relationship with a large and diversified ecosystem in many fields. It works with its stakeholders through groups such as the *Alliance Dynamique* and the *Initiative de lutte contre l'exclusion bancaire* (Action Against Banking Exclusion) dealing with a number of topics including the social and solidarity economy, insertion via work, the fight against banking exclusion, budget management, education and equal opportunity.

6.1.4.3 Links with the local public sector and the social housing sector

True to its values of local presence and transparency, La Banque Postale maintains its ties with local public-sector players, notably through its Local Finance Steering Committee, composed of elected representatives, former members of parliament and experts. This Committee has a forward-looking, observatory and advisory role: risk assessment, monitoring, proposing new services, etc.

In order to meet its commitments as regards social home ownership, La Banque Postale continues to work with the social housing sector, through its Steering Committee for access to social home ownership (a committee made up of notable people from the housing and social home ownership sectors). Chaired by the Chairman of La Banque Postale's Executive Board, this Committee is responsible for advice, planning, and observation. Meeting at least twice per year, it is helping to create an innovative home loan model aimed at low-income households, one of La Banque Postale's key strategic aims (see chapter on "Accessible Banking").

6.1.4.4 Non-financial ratings

In 2020, with the B- rating and "Prime" status, La Banque Postale was the top-ranked international financial institution evaluated by the ISS-ESG agency. This ranking reflects the quality of its CSR work.

In 2020, the Vigeo-Eiris agency corroborated these good results, awarding La Banque Postale a rating of 71/100 (up 2 points), ranking it at the top of the list of world banks for the "retail and specialist banking" sector.

La Banque Postale also participates actively in the Sustainalytics rating and in February 2021 obtained a score of 91/100 (up 32 points in four years). This score grants it "leader" status and ranks it **third worldwide and first in France for its non-financial performance**.

As for MSCI, it awarded a AA rating for the fifth year running.

Lastly, for the second time in 2020, La Banque Postale completed the CDP Climate Change Questionnaire and, despite tougher requirements, maintained a score of A-. With this score, which corresponds to the "leadership" level, the CDP acknowledges the Bank's sound strategy for combating climate change.

Through these ratings, the agencies have emphasised the bank's responsible marketing policy and the transparency of its contracts, the measures taken to ensure access to financial services for all, the development of financial services with significant social benefits, and the effective inclusion of social and environmental issues into its asset management.

6.1.4.5 Participation in sector studies

Moreover, La Banque Postale strives to convey its values by participating in key bodies tasked with promoting CSR. It actively participates in various working groups led by the Finance Club of the ORSE (*Observatoire de la responsabilité sociétale des entreprises*, the "Observatory of Corporate Social Responsibility"), in the Public Committee of the Forum for Responsible Investment (*Forum pour l'investissement responsable* - FIR), and in the French employer federation MEDEF's CSR and Extra-Financial Performance Committees to advance major CSR projects (measuring climate risk, applying extra-financial criteria to corporate and investment banking, promoting SRI to private customers, measuring the carbon footprint of the financial sector, etc.). La Banque Postale has also joined the Paris Europlace Finance for Tomorrow initiative which is intended to promote the climate actions of the Paris marketplace's financial sector.

Already back in 2019 and throughout 2020, La Banque Postale actively participated in the working groups for the implementation of the Principles for Responsible Banking (PRB) led by the United Nations Environment Programme Finance Initiative (UNEP-FI). In addition to other goals, these working groups aim to define tracking indicators and a uniform reporting framework in relation to the six principles. In 2021 La Banque Postale will publish on its website its first PRB reporting in compliance with the commitment signed in September 2019.

Lastly, in 2020, the Bank also took part in the working groups of the Climate Committee of the Federation of French Banks concerning the methods for measuring coal exit commitments and participated in the pilot climate exercise of the stress test organised by the ACPR (Prudential Supervision and Resolution Authority). La Banque Postale thus demonstrated how it withdraws from the most carbon-intensive sectors in its financing activities, as well as the impact of climate challenges on its activities (see "Responsible Asset Management" section).

6.1.5 Company organisation

6.1.5.1 Leadership of the CSR policy

La Banque Postale's CSR Unit, which reports to the Human Resources Department (a member of the Executive Committee) is responsible for defining the Company's Corporate Social Responsibility policy, and its environmental policy in particular, as well as for non-financial reporting and ensuring the business lines address the non-financial criteria that are most relevant to them. It is also responsible for corresponding with the external stakeholders concerned (NGOs, non-profits, CSR and responsible financing promoters, etc.) and for dialogue with extra-financial rating agencies.

In 2020, the CSR unit also contributed significantly to the drafting of the employee section of the next strategic plan for 2030.

The CSR stream comprises approximately 140 CSR officers across the different entities of the Bank's head offices, subsidiaries and operational sites. They are responsible for deploying operational projects, leading local employees and providing the feedback necessary to prepare regulatory non-financial reports.

6.1.5.2 Awareness campaigns

The CSR Unit and CSR Officers in the various entities and establishments work throughout the year on raising employee awareness of CSR issues and projects. The teams, backed by the dedicated resources of the Communication Department, are mobilised every year, notably during five weeks of nationwide events on the following themes: sustainable development, mobility, socially responsible investment, employment of disabled persons and waste reduction.

The Internal CSR network, for its part, receives special attention as the main driver for the reporting and consolidation of non-financial information. Conference calls are organised every two months to pass on information from the head office to the field and to share local best practices.

In order to ensure that these players, which originate from all departments, subsidiaries and sites, come together and cooperate as closely as possible, the CSR Unit organises an information and discussion seminar every year. The seminar of 6 November 2020, which took place for the first time with a digital format due to the health crisis, provided the opportunity to give an update on new reporting requirements (DPEF), to present the new carbon fund architecture and the Energy Management System recently ISO 50001 certified recently.

La Banque Postale also continues to provide its two CSR training modules: the first tackles "The fundamentals of Sustainable Development and CSR" and the second focuses on "Driving and deploying La Banque Postale's CSR policy". These two modules are just two of the courses in the catalogue offered by the *École de la Banque et du Réseau* (EBR, the School to La Banque Postale and Distribution Network), available to the 70,000 employees of La Banque Postale, Financial Services and La Poste's Distribution Network who are interested in Corporate Social Responsibility and its operational implications on the ground.

6.2 LA BANQUE POSTALE'S CSR POLICY, DILIGENCE AND RESULTS

6.2.1 Commitment to customers

True to its postal values of providing local services to the greatest number of people, La Banque Postale is guided by **one principle, to serve all**, and by one approach, namely to offer responsible banking and insurance services to each customer at a reasonable price irrespective of their personal circumstances.

6.2.1.1 Promoting physical and digital access for all to our full range of financial products and services

La Banque Postale welcomes customers from Monday to Saturday across France at its post offices and Financial Centres, by telephone or email, and 24/7 via its self-service ATM machines and terminals. La Banque Postale has 20 million customers in France, over half of whom are active customers.

It has opted to produce comprehensive customer policies suited to all of its customers, regardless of their financial situation or their specific needs. As a result, financially-vulnerable customers have a range of services unique in the marketplace thanks to the completeness and quality of the support provided.

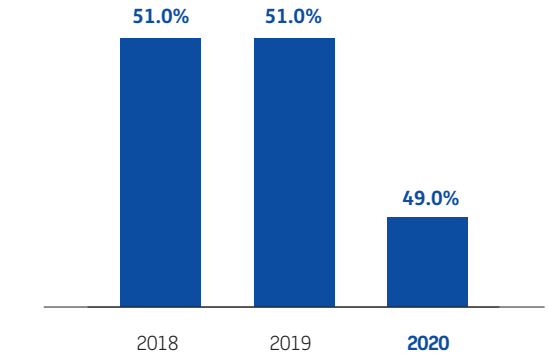
6.2.1.1.1 La Banque Postale's accessible banking mission

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

La Banque Postale's *Livret A* account is the key feature underpinning the accessible banking mission, as it is universal in nature as well as secure and easy to access and use. The mission entails specific obligations for La Banque Postale in terms of the distribution and operation of the *Livret A*, notably the obligation to open an account for anyone who makes a request (the principle of the "universal nature" of the *Livret A*), the obligation to allow cash withdrawals or deposits starting at €1.50 and to authorise certain essential transactions (such as the payment of social security benefits and direct debits for subsidised housing rents and water, gas or electricity bills) and to provide a cash withdrawal card that can be used in La Banque Postale's distribution network.

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

Based on the way it is used by some 1.5 million customers, La Banque Postale's *Livret A* account is the only such service available for free in France for these vulnerable or excluded customers. Backed by an ecosystem of services and a dense network, it provides crucial day-to-day support and the ability to make low-value cash transactions.



Percentage of Livret A accounts with a balance of less than €150

At the end of 2020, nearly 49% of La Banque Postale's Livret A accounts held by retail customers, i.e. about 7.2 million accounts, had a balance of less than €150. These accounts, which amount to only 0.24% of deposits outstanding, nonetheless generate very substantial management costs because they are the most frequently-used savings accounts, accounting for 45% of the transactions made on Livret A accounts (of which 50.6% withdrawals).

In order to improve accessible banking for asylum seekers, the list of migrant referral branches and of branches acting as contact points for administrative holding centres has been updated. There are now 369 branches offering some form of special reception services. They were put into place to meet three goals: encourage social integration, combat all forms of discrimination during the customer reception process, and facilitate accessible banking among these populations. Post office workers at these branches have received training in how to open *Livret A* accounts for asylum seekers, and have a thorough understanding of the various administrative situations and eligible documents. They also have a special relationship with mediators from the French Office of Immigration and Integration (OFII). A new partnership agreement was signed in September 2020 by the OFII, La Poste and La Banque Postale, and the number of referral branches was adjusted in line with the new Government-registered centres.

6.2.1.1.2 Clear support for financially-vulnerable customers

The term "financially-vulnerable customer" is defined by regulation (Article R. 312-4-3 of the French Monetary and Financial Code), although the banks themselves are required to establish more generic definitions.

Since 1 November 2020, the effective date of the decree of 20 July 2020[1], the definition of financially-vulnerable customers has changed. La Banque Postale uses the term financially vulnerable to describe any customer who meets one of the following criteria:

- whose bank account deposits are below the poverty line i.e., €1,041 in 2020;
- who use the *Simplicité* account option;
- who benefit from the basic banking service (as part of the Right to an Account scheme);
- who are over-indebted and whose assessment request has been declared admissible and regardless of the measure of the plan (including when the debt has been cancelled), until they are no longer listed on the FICP (French Register of Household Credit Repayment Incidents);
- who are listed on the French FCC (Central Cheque Register), which identifies the customers who by court order or due to cheques issued without sufficient funds are prohibited from issuing cheques or using a bank card, effective from the first month that they are listed in the Register;
- who have experienced five payment incidents on their account, either during the previous month, or on average per month over the previous three months and whose income (average monthly cash inflow) is less than the French gross minimum wage.

In addition, since 1 January 2020 an early detection system based on a predictive score has been used to identify customers who are at high risk of becoming financially vulnerable.

In this way La Banque Postale can take preventive action (these customers could receive a call from an advisor and an email suggesting an appointment, use of l'Appui Support Service and the *Simplicité* account option).

In 2020, La Banque Postale listed around 1.4 million financially-vulnerable customers i.e., nearly half of the 3.4 million people identified by the Banque de France. These are separate from the 1.5 million people who benefit from the accessible banking public service mission entrusted to La Banque Postale.

La Banque Postale offers a special service for vulnerable customers, known as the *Simplicité* account option:

- a special rate, unchanged since 2014, of €2.30/month, below the regulatory limit of €3/month;
- a pre-authorised card, including access to online account management and SMS alerts for the account balance;
- bank penalty charges capped at €20/month and €200/year.

The number of customers using this option has risen by 47% since 2017. At the end of December 2020, a total of 141,217 customers√ out of approximately 512,000 nationwide used this option, according to the latest estimates supplied by the Banque de France, further to an awareness campaign targeted at potentially vulnerable customers.

La Banque Postale offers the same ceiling on bank penalty charges of €20/month for its 25,000 customers who receive the basic banking service (as part of the "Right to an Account" programme). The ceiling on bank penalty charges for all other vulnerable customers is €25/month.

Focusing on prevention and on combating lack of insurance protection, La Banque Postale and CNP Assurances worked in partnership with Crésus to develop educational tutorials geared to the general public on insurance clauses and guarantees, in order to make their customers aware of the risk of not having insurance with adequate coverage. In the current environment shaped by the public health crisis, financially vulnerable customers receive enhanced banking and budget assistance and, in certain cases, may be exempt from the excess in the event of a claim.

6.2.1.1.3 A special system for protected customers (protected minors and adults)

To better serve these customers and their legal representatives, since 2017 La Banque Postale has provided **specially designated "protected adult" branches. The employees have been specifically trained to deal with these kinds of customers.** They handle transactions for protected persons and respond to requests from legal representatives as well from advisors at La Banque Postale and the La Poste Distribution Network. La Banque Postale also offers the **Protectys** card, an interbank payment card for protected adults under the care of a natural person. Over 7,000 Protectys cards are currently being used by protected persons.

6.2.1.1.4 Facilitating access to services to persons with disabilities

La Poste's Distribution Network, which is La Banque Postale's window to the regions, has for the past decade been committed to a major programme of modernisation designed to make post office branches, products and services more accessible for disabled persons. As part of the Programmed Accessibility Agenda (Ad'AP), it is committed to continue its 2016-2024 branch accessibility programme. By end-2020, 6,350 post offices (80.5%) had accessible sales areas and 4,750 (60.2%) had external disabled access.

By the end of 2020, 97.3% of cash points (ATMs) in post office facades or off site were either directly accessible or situated immediately near to another accessible ATM in the same post office.

La Banque Postale is also pressing ahead with providing accessible ATMs and SSTs (Self-Service Terminals) for blind and visually-impaired users, having converted 90.8% of machines by the end of 2020. All ATMs located inside branches are accessible.

Personalised assistance is also offered upon arrival to deaf and hearing-impaired customers within the sales area. 6,063 post offices (79% of the total) are fitted with amplifiers to improve communication with customers with or without a hearing aid. French sign language interpreters have been available since 2014 to assist during customer meetings.

Across the La Poste Distribution Network, 78.8% of employees in contact with customers completed an e-learning course on "Helping disabled customers".

The DEAFI solution, through which the customer can be put in contact with certified French sign language court interpreters, has facilitated the creation of the Deaf and Hearing-Impaired service.

To date, this La Banque Postale system has handled more than 8,000 requests. La Banque Postale provides visually-impaired customers with their account statements and monthly newsletters In Braille or in an electronic version with text-to-voice readers/voice playback.

(1) Decree no. 2020-889 of 20 July 2020 modifying credit institutions' terms and conditions for assessing the financial vulnerability of their account-holding customers.

La Banque Postale also monitors the **digital accessibility** of the tools it provides.

The La Banque en Ligne website, accessible to users with visual disabilities, is audited on a regular basis to ensure ongoing improvement for users, in line with the new regulations in force (October 2020). The same audit and ongoing improvement approaches are applied to the institutional websites and the mobile apps.

6.2.1.1.5 Combating the digital divide

Since 2019, La Banque Postale has implemented, with the help of the social start-up WeTechCare, **a digital banking inclusion plan** to assist customers using digital services and to help them become more autonomous, Supported by the PIMMS national union, the FACE foundation and Konexio (a new partner since September 2020), this programme is designed to identify customers far removed from digital applications, provide them the necessary in-branch support and direct them to the most suitable digital assistant for their situation within the area of the post office branch via a special training workshop.

To accomplish this, La Banque Postale has supported WeTechCare's enhancements of the www.lesbonsclics.fr website with tutorials on essential digital services (how to make an appointment with an advisor, print a bank identification statement, review an account online, configure an SMS alert system in order to know an account balance).

La Banque Postale's ambition is to gradually roll out this plan to 300 branches. Mediators and managers offer assessments to customers to assess their digital skills. Depending on their level, customers can then receive tailored support in more than 100 post office branches. This enables them to familiarise themselves with the mobile apps and online services offered by La Poste and La Banque Postale. Customers with the most difficulty will be referred to partner non-profits. There they can receive training to improve their digital autonomy, including access to online banking which is an essential part of modern day life.

This scheme builds on the digital support measures undertaken by La Banque Postale: offering an alternative to 100% digital whenever possible; helping clients with the digital transition; and developing inclusive digital services.

In 2018, La Banque Postale also contributed to the launch of a budget management app called PiloteBudget, which enables users or their companions to get a view of all their expenditures and income and especially their remaining disposable income. The tool is simple to use and confidential because it is not connected to the user's bank accounts, and its main purpose is educational. It was developed based on the experience of the non-profits Emmaüs SOS Famille and Cerise in Nanterre with the support of other partners (ANSA, Mes questions d'argent, Fondation Cetelem, Finance et Pédagogie, Crédit municipal de Paris and the French Federation of Banks). In 2020, a second app "PilotDépense" was launched in order to monitor and manage a budget with the user's net disposable income.

6.2.1.1.6 Ma French Bank

Ma French Bank, a 100% digital bank and a subsidiary of La Banque Postale, has designed a product that offers accessibility, simplicity and the Group's trust.

Since July 2019, it has offered a no-overdraft bank account, multiple means of payment (by card, mobile, etc.) with real-time monitoring for customers anxious to control their budget. Its "all-included" pricing is attractive and transparent, without hidden fees, including for payments outside of France. Initially intended for adults (core clientele 18-35 year olds), this first offering was a resounding success with 280,000 customers at end-2020. In November 2020, this product offer was broadened to include young people aged 12 to 17. Christened "WeStart", this bank account offers a 100% mobile solution, easy access, secured and educational, perfectly adapted to the expectations of teenagers and their parents.

Ma French Bank stands apart also thanks to its distribution model, which is both physical and digital: opening an account remotely is possible via mobile, tablet, computer or in one of the 3,000 post office branches with the help of the Distribution Network's customer service representatives.

Lastly, Ma French Bank has chosen to base its customer service in the city of Lille in one of La Banque Postale's Financial Centres. It currently employs approximately one hundred advisers.

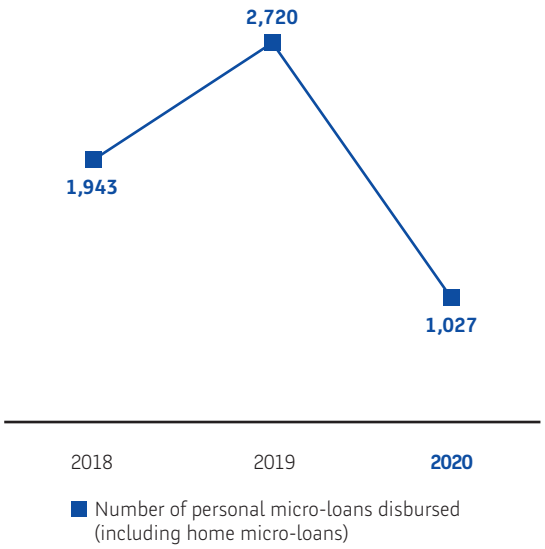
Accessible to a wide public thanks to its ease of use, pricing, option of signing up remotely or anywhere in France and without any minimum income requirement, Ma French Bank is contributing to democratisation of the new digital uses in the banking sector.

6.2.1.2 Facilitating access to credit

6.2.1.2.1 Micro-credit, an alternative for customers not eligible for traditional credit

In 2007, La Banque Postale began offering **personal micro-credit** across the whole of France. The service was originally implemented via a partnership with charities and public organisations that specialise in identifying and supporting projects run by people otherwise excluded from the banking system due to a lack of solvency. Since 1 January 2018, La Banque Postale has supported Créa-Sol, the micro-finance institution that has designed a 100% digital solution for micro-credit assessment, financing and management that significantly reduces the lead time to grant micro-credit. After a sharp increase in the number of personal micro-credit contracts signed in 2019, growth slowed due to the public health crisis. In 2020, about 1,000 micro-credit contracts[1] were issued in partnership with La Banque Postale. The support consists of both financial aid and skills. It enables beneficiaries and support networks to benefit from a more fluid and rapid decision-making process thanks to a digital assessment.

(1) Estimated number at end-November 2020.



La Banque Postale also **offers professional micro-credit** via the *Association pour le droit à l'initiative économique* (Adie, Association for the Right to Economic Initiative) to help entrepreneurs start up and grow their business. Adie and La Banque Postale therefore support potential micro-entrepreneurs who, as customers of La Banque Postale, have been identified by branches in vulnerable urban areas as people who want to create their own business. In 2020, 1,439 entrepreneurs(1) received financing. Lastly, La Banque Postale supported Adie's recovery plan through its collateral-free loan fund for entrepreneurs at the close of France's first lockdown period. In this way La Banque Postale fulfils its partnership role with micro-entrepreneurs.

6.2.1.2.2 Home loans and access to social home ownership

La Banque Postale enables young people under the age of 36 to obtain a home loan without a down payment. Although its solvency requirements for loan applicants are extremely high, it has broadened access to credit by offering **loans for social home ownership (*prêts d'accession sociale à la propriété*, PAS).** This product made it possible to assist more than 155,000 La Banque Postale customers. At end-2020 La Banque Postale had issued €2.1 billion in social home ownership loans. By the end of 2020, La Banque Postale had 234 partners, of which 46 classed as IOBSP(2) and 188 social housing associations.

At the end of 2020, the monthly household income for 23.3% of home loan applicants was less than two net minimum monthly wages, meaning over 14,200 people on very low incomes received help to buy a home.

6.2.1.2.3 Consumer credit

La Banque Postale Financement offers loans at rates which are among the lowest in the market for easily affordable amounts: personal loans (vehicle, work, projects), refinancing, youth offers and special offers for temp workers.

With its personal student loans, apprenticeship loans and "One euro a day driving license" loans, La Banque Postale also meets the specific needs of young people.

Committed to its civic role, La Banque Postale Financement also offers personal loans for temp workers, a financing offer to customers often excluded by other organisations.

6.2.1.3 Combating banking exclusion with public and non-profit groups

To expand its knowledge of the needs and habits of financially-vulnerable customers, La Banque Postale has, since 2012, undertaken a programme of discussion and cooperation with those of its stakeholders involved in combating banking exclusion.

La Banque Postale actively participates **in the public authorities' deliberations on banking inclusion**. La Banque Postale participates in the *Observatoire de l'inclusion bancaire* (Banking Inclusion Monitoring Unit), alongside government representatives, consumer, family and anti-exclusion charities, and other lending institution representatives. Its purpose is to monitor lending institutions' practices with regard to banking inclusion, especially towards populations in financial difficulties. La Banque Postale implements all of the OIB's recommendations for promoting products for vulnerable customers and furthering its understanding of certain types of vulnerabilities (digital inclusion of senior citizens, etc.).

La Banque Postale has also initiated **direct discussion and nurtured relations with public players in the social sector and anti-exclusion charities** so as to promote "banking inclusion", i.e., the establishment of schemes facilitating access to - and use of - financial services for customers in a socially vulnerable situation. Convinced that only active and organised cooperation will make it possible to meet the challenges of banking and financial exclusion, in 2012 La Banque Postale founded a think tank tasked with developing new practices in response to the needs of customers in a situation of financial vulnerability. The goal of this think tank, called ***L'Initiative contre l'exclusion bancaire*** (Action Against Banking Exclusion), is to:

- promote mutual understanding between populations in financial difficulties and the other parties who interact with them, who may or may not be part of the banking sector;
- learn together in order to create and test products, services and practices that take into account the real expectations of these customers;
- promote and defend, especially vis-à-vis public authorities, the most appropriate mutually-defined solutions.

As an open organisation, this think tank welcomes all players in the social, charity and banking world who share its goals and want to develop new initiatives to combat banking and financial exclusion. In 2019, it defined actions to promote a specific offer for financially-vulnerable customers (tools, resources, etc.). The think tank currently has 23 members: the Association pour le droit à l'initiative économique (ADIE, "Association for the right to economic initiative"), the Salvation Army, ATD Fourth World, La Banque Postale, the Chambre régionale du surendettement social (CRESUS, the "Regional Chamber for Social Over-indebtedness"), the French Red Cross, Emmaüs France, France Active, Habitat et Humanisme, Restos du cœur, the Secours

(1) Consolidated total at 31 October 2020.

(2) Intermediaries in banking transactions and payment services.

catholique, the Secours populaire, l'Union nationale des centres communaux d'action sociale (UNCCAS, "National Union of Municipal Centres for Social Action'), the Association nationale des directeurs de mission locale (ANDML, the "National Association of Local Mission Directors"), the Soliha Federation, the Union nationale des PIMMS (UNPIMMS, "National Union of the Multi-Service Mediation Points"), the Fondation Agir Contre l'Exclusion (FACE, "Foundation for the Fight Against Exclusion"), the Union nationale des affaires familiales (UNAF, the "National Union of Family Affairs"), the Crédit municipal de Paris, WeTechCare, Créa-Sol, Solidarité nouvelle pour le logement (SNL, New Housing Solidarity) and the Fédération des banques alimentaires (Food Bank Federation).

La Banque Postale also supports **Action Tank *Entreprise et Pauvreté*** ("Enterprise and Poverty"), a non-profit association as defined by the 1901 law that aims to promote the development of experimental entrepreneurial projects with an impact on poverty and exclusion in France. The Malin, Mobiliz and Optique Solidaire programmes are in particular promoted by account managers at La Banque Postale's support platform (L'Appui).

6.2.1.4 Contributing to furthering financial education with La Banque Postale's employees and partners

As detailed in the section on Commitments to society and the regions ("Promote employees' civic commitment"), La Poste's Distribution Network and La Banque Postale are committed to providing financial education, in the form of a skills volunteering programme with several charities.

Young people in difficulty are particularly targeted through the many budget workshops led by skilled volunteers. In partnership with **Crésus**, the company's ambassadors introduce young people to budget management in a fun way using the Dilemma game designed by Crésus.

Volunteers assist high school students with a mini-business project. They work with the partner **Entreprendre pour Apprendre** (Learning through Enterprise), where they sit on the regional or national judging panel for the mini-business championships.

Some volunteers work with **Adie** to support the entrepreneurs with their start-up project. The latter are usually from lower-income areas and have received a micro-loan.

6.2.1.5 Guaranteeing an ethical and quality customer relationship

The welcome given to customers, customer management and quality of service are perfectly in line with La Banque Postale's strapline as a "bank that works in the best interest of the community at large". A responsible customer relationship is a relationship based on trust, quality advice, support, follow-up and transparency, coupled with customer-focused commercial management and advisor remuneration. These are the responsible banking practices applied at La Banque Postale in all situations and throughout the banking relationship.

6.2.1.5.1 Appropriate and responsible advice

The cornerstone of La Banque Postale's advice process is an **ethics review**, which is described in more detail below (see Ensure systematic and rigorous management of non-financial risks). This document highlights the importance given to responsible sales practices. In addition, La Banque Postale's semantic guide sets out its fundamental values, and enforces clear, simple, and transparent marketing pitches.

Since its creation in 2006, La Banque Postale offers products adapted to the personal circumstances and needs of its customers. The **7G sales method**, recognised by the non-financial rating agencies, forms the foundation of the customer-advisor relationship. After modifications in 2012 and 2015 to improve customer discovery and the quality of advice, the 7G method was revised again in 2017 on the basis of three principles:

- **a single method** for all types of meeting, incorporating new advisory tools (Cap Client) irrespective of the contact channel (face-to-face or remote) and suitable for all customer and prospect types/profiles;
- **a method which provides a more personal, supportive and transparent service** thanks to a better understanding of the customer as part of the Preparation and Discovery process, which involves listening to the customer and providing feedback. This method means the structure of the meeting can be adjusted to suit customer expectations and a predefined strategy, thanks to the new tools provided to enhance the customer relationship. Transparency is encouraged through the various screens of the *Cap Client* programme, which were designed to be shared with the customer during the meeting;
- **a method to establish a long-term customer relationship**, through exhaustive customer knowledge, which is regularly updated to take the needs that are identified or voiced into account.

All advisors and managers in La Poste's Distribution Network were trained in the method in 2017. There is also a support scheme called **Passports**, run by the managers, in order to help banking advisors constantly develop their professional skills for applying the sales method and using these tools. In addition, the regional **Methods & Tools Managers** are experts whom managers can ask for help. The home loan distribution scheme was changed in 2018 with the introduction of a mixed distribution model within the La Poste network.

- **8,000 general branch-based bank advisors**, whose role is to help the customers in their portfolio with all of their day-to-day needs with great responsiveness;
- **400 specialist advisors**, offering expert home loan advice at the "Maisons de l'Habitat" branches, who handle complex files opened by branch-based bank advisors as well as requests relating to adverse possession (brokerage).

This transformation has improved the quality and speed of response for customers and the consistency of the files.

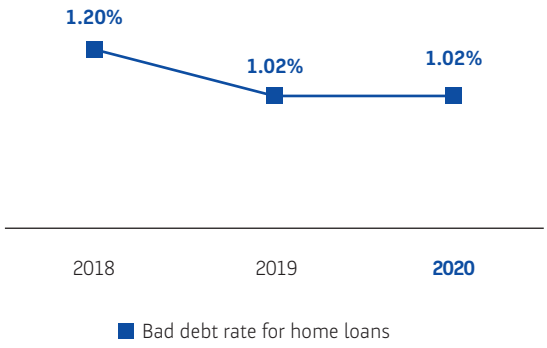
Upstream, La Banque Postale is attentive to the way it promotes products to its customers and uses clear educational materials: user manuals, videos, essentials, guides, etc. Marketing campaigns focusing on transparency, simplicity and clarity assist in building a long-lasting, high-quality relationship. A regularly updated real estate guide is available on La Banque Postale's website.

In this way, this long-term, quality relationship with customers is built into the **variable remuneration system** implemented by La Banque Postale. Each year, sales advisors commit to targets as part of a performance contract, designed in particular to improve the customer relationship and manage risks and compliance. The contract is reviewed with the manager three times a year.

6.2.1.5.2 Product subscription and monitoring: prudent risk management, regular monitoring, extreme debt prevention

The point at which the customer subscribes to a product by signing the contract and how that contract is then monitored are crucial stages for building the customer-manager relationship. It is essential to exercise prudent risk management and regularly monitor the customer's situation.

In the home loan field, advisors carry out a personalised study of the real estate transaction and consider the plans using a global approach (based on disposable income, eligibility for home savings schemes, etc.). By offering relevant advice and objectively analysing the customer's situation, La Banque Postale has one of the lowest bad debt rates in the marketplace (1.02% on 30 November 2020, unchanged in two years, despite credit exposure reaching €61.509 billion at the end of 2020).



La Banque Postale's non-performing loan rate is still among the lowest on the market.

The criteria for granting **consumer loans** are strict and based on a rigorous policy and prudent risk management to prevent customers taking on excessive debt. For this purpose, La Banque Postale has designed and established a comprehensive and coherent system for preventing over-indebtedness, applied when the loan is first granted and throughout the life of the product. The guidelines are intended to anticipate and identify potential financial difficulties, so that advisors can provide the appropriate support:

- **when granting consumer credit**, La Banque Postale Financement calculates the customer's repayment ability based on their income and expenses, and applies its knowledge of the customer and their history;
- **throughout the life of the loan**, La Banque Postale remains vigilant thanks to its trained advisors in order to detect any signs of financial difficulty as early as possible.
- **as part of the customer relationship**, an annual budget review is offered in order to update information about the borrower's situation and check that it is in line with the amount borrowed and, if necessary, to modify the repayment schedule and adjust the monthly payments.

Moreover, the **law no. 2014-344 of 17 March 2014 concerning consumption, known as the "Hamon law"**, which was enacted for the purpose of strengthening consumer rights, served to broaden the use of revolving credit.

This offer now forms an integral part of La Banque Postale's range of consumer loans. Positioned between an overdraft facility and a personal loan, revolving credit allows customers to meet temporary cash needs (to cover unexpected expenses, fund small projects or take advantage of a buying opportunity). This offer is unique for its simplicity and its responsible nature: various repayment rates including a fast-track option (30% faster than the statutory requirement), and a partial or total early repayment option without penalty fees, at any time by telephone or internet.

Consistent with the values of the Bank, the offer is clear, educational and transparent. It is entirely based on knowledge of the customer. Indeed, preventing over indebtedness was a core factor in the design of this offer. This product is therefore mainly offered to La Banque Postale customers who have a postal current account (CCP). An introductory guide is available to customers that explains in simple and understandable terms the contract's main features.

6.2.1.5.3 Assistance to people undergoing financial difficulties

In parallel with its accessible banking actions, La Banque Postale is very committed to assisting people undergoing financial difficulties. It has thus developed a unique system in partnership with organisations in the non-profit sector involved in the fight against social exclusion and the French State, through budget advisory updates.

L'Appui, the budget assistance platform for customers experiencing financial difficulties

In 2013, La Banque Postale created **L'Appui de La Banque Postale**, a telephone banking and budget advice platform accessible to customers via a single standard-rate number. This service has a dual purpose: firstly, assisting customers of La Banque Postale experiencing one-off or recurring financial difficulties, and, secondly, helping prevent financial difficulties in the first place. Since its creation, La Banque Postale Financement, the Financial Centres, post offices branches, public policy features such as the budget advice updates or non-profit organisations combating poverty direct customers in difficulty towards the platform.

The account managers at this new platform assess the customer's disposable income after reviewing their budget to check for any non-conferred rights or to identify any cases of heavy indebtedness or over-indebtedness. They are therefore able to refer customers to partners, non-profits and specialised associations - Centre communal d'action sociale (CCAS, "Community Centre for Social Action"), Union départementale des associations familiales ("Regional Family Charities Union"), Fonds d'action sociale du travail temporaire ("Temporary Workers Social Action Fund") etc. to promote access to rights or favourable rates.

Those with debt problems are put into contact with credit institutions specialised in restructuring or refinancing, such as La Banque Postale Financement or non-profits such as Crésus.

Finally, under certain conditions, the platform can provide access to social offers suited to the needs of customers in difficult financial situations, developed by Action Tank *Entreprise et Pauvreté* (Enterprise & Poverty).

By the end of 2020, the L'Appui team had 22 advisors, all trained in providing support for customers with limited budgets.

Since 2013, more than 202,000 customers have received advice from l'Appui. Among them, 72,000 customers have received comprehensive budget assistance since 2015. Moreover, l'Appui is also available to La Banque Postale customers in the French overseas departments and territories.

In 2017, La Banque Postale conducted an impact study of L'Appui through a specialised firm. L'Appui's assistance of these customers had resulted in:

- stabilisation of their budget in the short term, and slower long-term deterioration of their situation.
- awareness of their financial difficulties, underlining the preventive nature of the support;
- better management of incidents, proving the educational mission of L'Appui;
- customers monitoring their accounts more regularly using digital tools;
- customers becoming more aware of their ecosystem, enabling them to contact social bodies and associations.

As part of its partnership with **Crésus**, customers of La Banque Postale experiencing financial difficulties and heavy debt but who cannot be effectively assisted by the L'Appui platform will be directed to this organisation instead. Crésus provides intermediation support with various creditors to obtain coordinated and long-lasting adjustments as well as social and economic assistance.

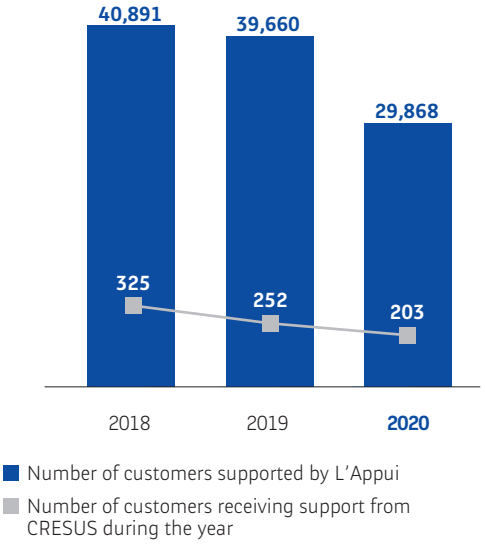
The public health crisis: the challenge of providing our customers with increased support

La Banque Postale has not yet observed the visible effects of the public health crisis (no increase in vulnerable customers, penalty fees or cases of over-indebted customers, etc.). Nonetheless, measures were taken to avoid loan repayment problems, bans on banking services, closures of accounts, etc. In order to avoid the risks of infection in post office branches during the period when social security benefits are paid, La Banque Postale launched SMS campaigns encouraging customers to use ATMs rather than service counters. It also created and circulated a graphic design on the SMS alert system, which kept customers updated on the payment of their social security benefits.

A dedicated consumer credit system

As part of its consumer lending and revolving credit business, La Banque Postale Financement has established a two-level support system in order to monitor customers encountering financial difficulties:

- a **support unit**, dedicated to vulnerable customers who accept specific monitoring based on listening and education, was established when this activity was launched. The advisor talks to the customer to establish a detailed analysis of their financial situation and difficulties, and produces a diagnosis to guide the customer towards loan restructuring or loan consolidation, or more comprehensive support if needed. Regular meetings are scheduled to ensure on-going support;
- La Banque Postale Financement also set up a **preferential partnership with L'Appui and Crésus**. La Banque Postale Financement guides heavily indebted customers towards l'Appui, based on loan consolidation applications rejected by the loan application unit at the customer relations centre, while customers who can no longer meet loan repayments are directed to Crésus. L'Appui also helps customers who have had repayment issues with a possible rescheduling of their payments.



Specialised teams to better assist special cases

In addition, since 2017 La Banque Postale has had expert teams dedicated to handling and supporting specific types of customers:

- over-indebted customers (32 employees);
- customers with *droit au compte* ("right to an account" status granted by Banque de France) (20 employees);
- the team of experts was doubled at the end of 2020;
- transactions and relationships with the legal representatives of protected customers (four protected adult agencies with 146 employees).

6.2.1.5.4 Listening to customers

Quality of service is a major **lever to ensure customer satisfaction and loyalty.** Various tools make it possible to monitor changes in the quality of service delivered. **National satisfaction surveys** have been conducted. In 2020, 74% of La Banque Postale customers gave a spontaneous customer satisfaction rating between 7 and 10 (with 25% of customers giving a rating between 9 and 10). La Banque Postale's average rating was 7.3/10 and the customer complaint rate was in line with the average rate for retail banks: 13%.

Lastly, La Banque Postale remains top-ranked for bank rates and network coverage.- Source: *La Voie du Client 2020*.

Continual improvement in remote customer relations

Given these results, a certain number of measures were implemented, notably in terms of **listening to customers and handling complaints**. More than 250 employees handle customer complaints on a daily basis, initially at the Company's Financial Centres. If the customer is not happy with the answer provided to their complaint, they can write to the appeals department for a

second review of their file. In 2020, 78% of complaints were handled within 10 days due to the public health crisis which greatly impacted the activity's processing conditions and increased, in particular, the number of complaints made via email. The complaints process is structured in order to provide the customer with visibility on how and where to submit a complaint, in line with the expectations of the ACPR. A new "appeals" level is available. The process of handling and following up on complaints is in the process of being standardised across all business lines and products. At the same time, a root cause analysis is under way in order to determine an action plan for eradicating faults and bad practices. Since the end of 2017, the six Customer Solutions Departments in mainland France, and the Client Solutions Unit in Martinique have been tasked with managing customer dissatisfaction and proposing mutually beneficial solutions for a renewed and lasting relationship. At the same time, work was done to simplify the customer pathway through the complaints process, with a focus on data sharing across all channels between the customer and other parties involved, from the Advisor to the digital applications of La Banque Postale.

In post offices

Since 2014, La Poste's Distribution Network has improved its system for responding to complaints relating to post office customer service jointly with the sectors. The 16 complaint handlers at the customer complaints centre have been trained in a new method of writing and making calls to customers, enabling the complaints to be handled more reactively. New tools to measure the quality delivered and perceived have also been created. Firstly, response quality is measured every quarter, based on a 10-point assessment for the content and form of the responses. The results, which reveal a rate of compliance with writing standards of over 90%, are provided per employee. The latter play an essential role in the actions to develop the skills of the complaint handlers. Secondly, a satisfaction questionnaire is used to measure perceived quality after the complaint has been dealt with.

Lastly, in November 2017, the Distribution Network's Customer Relations Centre obtained certification for its complaints handling, in order to strengthen the quality approach under standard NF 345, already obtained by the telephone service. In 2019, the Distribution Network's Customer Relations Centre was ISO 18295-1 certified, replacing the NF Service standard for all channels.

In order to meet the public health crisis in the spring of 2020, the Distribution Network's Customer Relations Centre made resources available to respond to customer complaints. A mutual aid plan coordinated by employees in the Customer Experience network of the Appui Regional Support Department (DAST) and the Regional Department (DR) was developed to support the Customer Relations Centre's employees in charge of handling post office branch complaints. This action plan made it possible to respond to our customers' requests throughout the crisis within time frames consistent with our commitments.

Complaint management is a major issue for La Poste and La Banque Postale, which are in the process of transforming customer relations. In this context, since October 2020 the La Poste Distribution Network's Customer Relations Centre has been equipped with a new Group CRM tool, available to all sales and Customer Service employees. In addition to installing more modern equipment in line with market standards, this change is part of a larger process aimed at improving the customer experience, thanks to enhanced customer knowledge and more extensive inter-divisional synergies.

Other systems have been established by the Distribution Network to improve the quality of service:

The Distribution Network Quality Departments and the Operations Department enhanced the assessments of quality in order to refine the results that emerged from customer satisfaction barometers and to optimise the management of service quality fundamentals: assessment of banking advice (welcome, listening skills, advisory effectiveness), assessment of telephone accessibility, arrangements for getting customer feedback, etc.

Since 2017, **satisfaction terminals** have been fitted in 450 branches, allowing customers to express their level of satisfaction "on the spot" directly following their experience with an expert advisor.

Via social networks

La Banque Postale is close to its customers, including on social media. It is present on Facebook, Twitter, Instagram and YouTube. It provides a personalised relationship by providing after-sales service and distributes innovative, educational and involving content.

In 2020, our customers received a rapid response from 9am to midnight, seven days a week; this enabled us to handle more than 25,000 customer issues with the aim of improving the day-to-day experience and satisfaction of our customers.

La Banque Postale positions itself as the **first French bank to answer internet users' questions about money** by publishing educational and humorous videos presented by the "Le Tatou" YouTubers on its YouTube channel.

In 2019, La Banque Postale's YouTube channel was named "Best Brand Channel in France" at the Grand Prix Social Media Awards. Its video strategy for encouraging education in financial issues has also received multiple awards this year: First Prize in the Search Experience category at the *Grand Prix du* Search Awards, together with the Silver Award for Organic Searches, and a Silver Award at the Communication & Companies Grand Prix in the "best external marketing campaign" and "best digital campaign" categories.

In 2020, La Banque Postale's YouTube channel remained top-ranked for the Banking and Insurance sector thanks to its engaging content that appeals to young people. The most recent example is the "All Star Playground" content. It spotlighted non-profits that help young people thanks to sports, through basketball shooting challenges between influencers and judged by a basketball star. This format enables internet users to make donations via Goodeed.com at no cost to themselves.

Participative innovation: a lever to continually improve customer relations

Since January 2017, the Customer Experience Department of La Poste's Distribution Network and La Banque Postale has provided employees with a shared participative platform for improving the customer experience and that of its employees,

The *Ensemble vos idées* platform (Your Ideas Together) now allows 19,500 employees to share their ideas and best practices, thereby contributing to customer satisfaction.

In September 2020, 450 ideas were shared via eight regional competitions and a national competition on topics relating to Le Groupe La Poste, despite the Covid-19 crisis.

Concerning customer relations, employees were able to offer best practices for helping customers familiarise themselves with the digital tools, but also for improving everyone's remote customer relations skills. They also suggested other ideas for improvements relating to simplifying the online banking pathway and customer care in the Financial Centres.

In parallel, some 10 topical debates were held in 2020 with corporate departments to continue to involve employees in the plans to transform the Company.

6.2.1.5.5 Responsible marketing and data protection policy

The La Banque Postale's Privacy Policy is managed by a special team headed by the deputy Data Protection Officer (DPO), who ensures none of La Banque Postale's marketing (or internal communications) breach the core customer privacy principles established in particular by the General Data Protection Regulation (GDPR). Since 2016, La Banque Postale's data policy has been strengthened by an official Group **Data Charter**, consisting of six commitments, setting a benchmark in terms of ethics for the digital sector.

The training provided to La Banque Postale advisors includes a module on Know Your Customer and the data protection tools provided by the bank. The general terms and conditions of sale also include provisions relating to customer data protection.

The security section on our website labanquepostale.com provides information for all users on best practices and how to protect personal data when managing accounts online. The website's legal information section sets out our privacy policy for users.

With regard to **mass marketing**, La Banque Postale's sales and marketing practices are based on customer profiling to ensure the relevance of groups targeted by marketing campaigns and regulate sales pressure on each distribution channel. The Bank has an array of tools, such as its Marketing Plan and Customer Dictionary, to help define marketing and solicitation strategies suited to every customer segment, thereby avoiding blanket mass marketing campaigns and fruitless canvassing of customers.

The marketing procedures followed by the post office network include the **facility for customers to unsubscribe from La Banque Postale's marketing**. The same principles apply to digital marketing, where our data protection policy explicitly covers:

- **general information on the use of cookies and data collection** on the labanquepostale.fr website: a generic message is displayed to all users the first time they visit the website and to visitors who have deleted their cookies;
- **access to the general legal notices**: they can be reached from the bottom of any page on the site: these legal notices include a specific paragraph on the use of customer data and cookies;
- **a link to unsubscribe from La Banque Postale's emails**: given in all our opt-in newsletters to existing and potential customers (i.e., who have agreed to marketing) and our solicitation emails to existing and potential customers;
- **a customer account**: when logged in, customers can update their personal data and opt in to marketing directly via their account on labanquepostale.fr.

These legal notices have been approved by the Legal Department and the deputy Data Protection Officer.

Sabotage, exfiltration of data, fraud and cyber crime comes in many guises. While all companies are now exposed to cyber risks, the banking industry is especially vulnerable to cyber attacks. Aware of this threat, and increasingly regulated by the authorities who are becoming more and more demanding, La Banque Postale pays particular attention to managing this risk which has now become a social concern. For this purpose, La Banque Postale implemented an Information Systems Security governance policy based on managing risks, which has been deployed throughout La Banque Postale Group.

An annual awareness programme is defined and implemented by La Banque Postale and the Distribution Network for all employees.

The goal is to continue to develop the cyber-security culture among all the employees. These campaigns concern all employees with a work email address at La Banque Postale, the La Poste Distribution Network, Financial Services (including DIS-BR), DSEM and the subsidiaries of La Banque Postale Group.

Since 2015, an e-learning campaign based on a 20-minute digital module has been offered on a variety of topics arising from cyber news and internal needs with a 35% annual rate of participation. Fake phishing emails are sent a minimum of three times a year since 2017 to increase employee vigilance with regard to malicious emails with an average click rate of 8%. These actions supplement the standard means of prevention, protection, detection and reaction to cyber threats, which are continually modified and improved in order to adapt them to new developments.

6.2.1.6 Designing and proposing a responsible product and service offering

La Banque Postale is committed to offering its customers a simple, clear and responsible range of products and services, focused on essentials, at an affordable price.

6.2.1.6.1 Systematic inclusion of ESG criteria in product and service design

Since June 2009, La Banque Postale has ensured that environmental, social and governance (ESG) criteria are systematically taken into account in the design of its range of products and services. It has produced an official ESG checklist that gets appended to every product presentation file prepared for the Product Review Committee. This checklist sets out La Banque Postale's five founding values - accessibility, performance, differentiation, accountability and cohesion - according to 19 ESG criteria: ethical advice, transparency, simplicity, clarity, climate action, preventing tax evasion etc.

Since January 2020, on the basis of the checklist completed by the product managers, La Banque Postale's CSR Director issues a label as part of the Product Review Committee meetings (favourable opinion, unfavourable opinion, conditionally favourable opinion).

The product managers are trained how to use the checklist and are therefore aware of the Bank's main CSR challenges.

In 2020, La Banque Postale held 25 Product Review Committee meetings. All new products, and any which have been significantly modified, are cross-checked against non-financial criteria which cover the design and distribution of the products as well as customer support. Work on renewing the checklist began in December 2020 and has continued in early 2021. This updated checklist will be used even earlier in the product design process, ensuring even greater consideration for non-financial factors.

6.2.1.6.2 Innovative products that encourage customer commitment

In addition to systematically integrating ESG criteria into its offering, right from its design phase, La Banque Postale also offers products that enable true civic commitment on the part of its customers.

La Banque Postale, driving the energy transition through its dedicated offerings

Since late 2015, La Banque Postale has supported its customers in their civic commitments with the ***Gamme Verte*** ("Green Range") designed for retail customers. Launched to coincide with the COP 21 Paris Climate Conference, this product range provides home financing solutions (energy efficiency renovations with the zero-percent eco-loan and the "green works" loans) and eco-mobility (personal loan for a green vehicle). An investment line combining a requirement for financial performance with an ethical and responsible approach is also available. In 2019, the product line was extended to include the *Éco PTZ Habiter Mieux*, designed for people eligible for assistance under the *Habiter Mieux* programme run by the *Agence nationale pour l'amélioration de l'habitat* (National Agency for Better Living). At the end of 2020, La Banque Postale joined with the *Métropole du Grand Paris* (Greater Paris) initiative and the consultancy firm Oktave, as signatories of a partnership agreement aimed at supporting energy renovation work in private housing and light commercial buildings. The bank's offer provides financing for the portion of the costs not otherwise covered.

In 2018, La Banque Postale launched an **on-line energy self-diagnostics platform** to advise and assist home owners and tenants through the steps of renovating their home and improving its energy performance. The platform was developed in partnership with *Économie d'Énergie* (Energy Savings) and is available on La Banque Postale website. It provides customers with full support for their project: an energy diagnosis of their home, completion of the work by companies with the RGE (Recognised Guarantor of the Environment) label, and a simulation of the financing plan. The final element of this service is a special telephone advice line operated by *Économie d'Énergie*, providing advice to customers throughout their project.

In 2019 La Banque Postale made this platform available to social landlords, local authorities, hospitals and local public sector companies and in 2020 to private sector companies.

Business customers, supported by La Banque Postale, are now stakeholders in the energy transition as they look to reduce their environmental impact, anticipate their new standards and reduce their costs. This approach also provides a competitive advantage to the business, regardless of its sector of activity.

In order to assist business customers with their investments in terms of corporate social and economic responsibility, in 2020 La Banque Postale offered the private sector access to its "green loans", which had previously been reserved for the public sector. This offer complies with the EU Green Taxonomy criteria and serves to support projects relating to various investment areas: real estate, renewable energies, water and waste, manufacturing, IT and telecommunications. "Green loans" are then refinanced by "green bonds" issued by SFIL, state-owned partner bank of La Banque Postale. When taking out a green loan, the business commits to providing La Banque Postale with the project information needed to measure its environmental impact. This information is expected by investors in green bonds who want assurance as to the positive effects of projects identified as "green". Furthermore, La Banque Postale's Corporate & Investment Bank has a special team for funding renewable energy projects, building energy improvements and infrastructures (fibre, water, heating, public buildings, public transport). In five years, more than €4 billion has been issued to finance projects promoting the energy transition, sustainable transport and regional development.

With a view to diversifying its customers' assets, BPE private banking has launched its "Green France 2031" offer - green bonds dedicated to its private banking clientele and issued by La Banque Postale. Created by La Banque Postale's Corporate & Investment Banking Department for BPE, BPE Green France 2031 meets this need by allocating funds to the financing of projects contributing to the lowering of CO_2 emissions, particularly those from sustainable transport.

Solidarity-based savings solutions available to every customer

The *Intérêts Solidaires* service provided by La Banque Postale allows customers to transfer all or part of the interest from a *Livret A* account, Solidarity and Sustainable Development account (LDDS) or National Savings account (LEP) to an officially recognised public interest association. The donations can be given to non-profits involved in the fight against banking exclusion, a member of the "Action against banking exclusion" think tank or one of the three new environmental non-profits that joined this programme in 2020. This service is very popular with La Banque Postale customers given that 75% of donors give 100% of their interest. This generosity is encouraged by La Banque Postale, which stands alongside any customer who invests in these bonds by paying each non-profit a top-up donation equal to 10% of the interest paid.

La Banque Postale's *Intérêts Solidaires* service was again awarded Finansol certification in 2020.

Three other solidarity-based savings products offered by La Banque Postale have also received **Finansol certification** and allow customers to use their savings to benefit organisations and people working in the Social and Solidarity Economy (SSE):

- **four solidarity-based investment funds:** these funds are managed by La Banque Postale Asset Management (LBP AM) and either offered to the public (LBP AM ISR Actions Solidaire) or companies as part of their employee savings plans (e.g., FCPE *Décisiel Responsable Actions 70 Solidaire*). These five funds share the fact that they invest a portion of their assets – between 5% and 10% depending on regulations – in SSE structures that promote social and professional reintegration, sustainable farming or regional regeneration. By the end of 2020, a total of €20 million had been invested, through LBP AM, in three SDSE structures: France Active Investissement, Habitat & Humanisme and Terre de Liens;

- **one charity fund:** the third Finansol certified fund, LBPAM SRI Human Rights (formerly *Libertés & Solidarité*), gives part of its annual revenue or management fees to the International Federation of Human Rights (FIDH). Since it was created in 2001, over €3 million have been donated to this NGO, allowing it to continue its work to protect human rights around the world.

6.2.1.6.3 Responsible asset management

La Banque Postale is committed to responsible asset management by offering a range of socially responsible investment (SRI)[1] options to investors seeking to **combine sustainable development and potential yield**.

For this purpose, La Banque Postale Asset Management (LBP AM), the main asset management company of La Banque Postale Group, announced in April 2018 that it would convert all of its funds to SRI by 2020. This goal is the culmination of a long-term investment in SRI management and a commitment to making savings meaningful again. The strategy is intended to meet major challenges including global warming, the demographic limits of the social protection system and the breakdown between the financial markets and society. At the end of 2020, we kept our commitment and **100% of the funds eligible for the SRI label, a State label created in 2016, have obtained the label**. More precisely, 98% of the funds have been labelled and, for technical reasons, the remaining funds will be labelled in 2021.

This pioneering plan is governed by a four-pronged strategy:

- **invest in companies that act responsibly and are committed to a just transition**: LBP AM carries out this analysis using a proprietary method known as GREaT, described below;
- **exclude companies that pose a reputation risk due to poor sustainable development practices:** the LBP AM Exclusion Committee is the body that decides on the exclusion of States or companies exposed to major controversies and that deal in sensitive sectors such as controversial weapons, tobacco, gambling, coal. It is in charge of managing the reputation risk for all LBP AM portfolios. LBP AM develops original, recognised policies, for example, concerning coal or combating deforestation;
- **choose the SRI label for the entire range of open-end funds:** This exacting framework establishes strict principles for managers (volume thresholds, transparent conduct and reporting requirements). Compliance with these rules and overall management quality undergo on-site audits by an independent organisation accredited by the label;
- **dialogue and involvement:** LBP AM is convinced that responsible management is essential in order for financial markets to play a constructive role in the economy and it considers that its four-pronged approach, GREaT, must be supplemented by dialogue and questioning of companies' practices, individually or with other investors. We aim for ongoing dialogue in order to better understand these practices and encourage improvements. Contacts with the companies are supplemented by decisions voted at the General Meetings, which ensures they have a concrete impact on decisions.

The SRI methodology developed by LBP AM, known as GREaT, is based on four elements:

- **responsible corporate governance**: balance of power, fair distribution of added value, business ethics, tax accountability;
- **sustainable resource management**: well-being at work, human rights, protection for biodiversity, water and waste management;
- **energy and economic transition**: low-carbon strategy, adaptation to climate change, products and services consistent with long-term goals (renewable energies, sustainable agriculture and food, sustainable transport and mobility, green buildings, the circular economy, etc.);
- **regional development**: support for job creation and skills development in regions where branches are located, support for vulnerable populations, partnerships with local authorities and long-term balanced relationships with suppliers.

The SRI analysis of the LBP AM's teams aims to assess the alignment of the companies' strategies and practices with each of these four themes.

In order to bolster the credibility of its range and help it to stand out in an emerging SRI market, La Banque Postale has opted to apply the framework of the SRI label. One hundred and six funds managed by LBP AM received the "**ISR Public**" label between September 2017 and December 2020. Backed by the French ministry of economy and finance, this label is now the reference for SRI savings products for individual investors. It makes it easy to identify investments that promote sustainable development, while targeting the same long-term financial returns as traditional products. The ISR Public label increases the transparency of the funds used by savers and institutional investors, and imposes a voting policy and commitment by companies in the portfolio to improve their ESG practices. It also provides information concerning the environmental, social and governance quality of the companies financed, thanks to ex-post indicators. These 106 labelled funds include the six funds from the "Conviction ISR" range, launched in 2018 for the network of La Banque Postale branches: LBP AM ISR Diversifié, LBP AM ISR Actions Euro, LBP AM ISR Actions Environnement, LBP AM ISR Actions Solidaire, LBP AM ISR Obli Crédit and LBP AM SRI Human Rights (formerly *Libertés & Solidarité*).

In addition, LBP AM has also started talking with issuers to encourage better ESG practices. LBP AM uses this approach, dubbed "Engagement", either individually or collaboratively, i.e., with other asset management companies, depending on the issue in question. Two aspects of this engagement policy are:

- **innovative policy of excluding coal:** LBP AM's investments are confined to companies in the mining and electricity production sectors that have announced a managed exist from coal and have aligned themselves with the Paris Agreement goal of limiting average temperature rise to 1.5°C by 2100. Our coal policy innovates in the sense that it takes into account the relevance of companies' strategies, particularly with regard to the challenges of a fair transition, which considers the social impacts and the consequences for the planet. It is based on an analytical grid that integrates the latest OECD recommendations, relying on the providers' and publicly-available data on the income generated, new projects and the companies' commitment to eliminating coal in their operations;

(1) For socially-responsible investments, companies are no longer selected solely on the basis of their ability to generate profit, but also for their ability to preserve natural resources for future generations, improve the working conditions of their employees and develop balanced relationships with all of their partners.

- **resolutions submitted to Total's General Meeting:** the submission, with ten other investors, of the first climate resolution to the Total General Shareholders' Meeting in May 2020 aimed to involve all of the shareholders in the debate around the climate strategy of the energy group in order that each shareholder can express an opinion as to the role that the company should play in this transition context. The objective of the resolution was therefore to modify Total's Articles of Association in order to encourage the company to announce a medium- and long-term action plan to reduce in absolute terms GHG emissions in its three areas of activity, as well as the means deployed to reach this goal. Although Total's shareholders did not vote in sufficient numbers to endorse this resolution, it received 16.7% of the votes. This resolution helped advance the debate between the shareholders and highlighted the key role of oil companies in the energy transition and the fight against climate change.

Each year, LBP AM publishes a commitment report on its dialogue with other companies on extra-financial issues.

Finally, LBP AM is an active shareholder and exercises its voting rights in the undertakings for collective investment that it manages, applying a single vote policy based on the assessment criteria of its "SRI philosophy". LBP AM took part in 469 Annual General Meetings of European and North American companies in 2020 (compared to 530 in 2019).

For further information on LBP AM's commitments, its methodology and voting policy, visit the web pages on this topic at www.labanquepostale-am.fr/isr.html.

Moreover, to promote these responsible solutions externally, every year La Banque Postale takes part in the Responsible Finance Week. On that occasion, it offers its customers and advisors information and promotional materials for its SRI range. With respect to in-house **awareness**, advisors are trained in SRI funds during their initial training when they join the Company. A special effort has been made in the regional departments from 2018 to provide support for the sales campaign for the "Conviction ISR" product range. In 2020, the LBP AM teams undertook **350 SRI actions** with specialist advisors across the network, both in the regions and during training sessions at the subsidiary's offices.

Despite the health crisis, the inflows for the SRI range reached encouraging levels.

An example is the more than €280 million inflow for the LBP AM ISR Actions Environnement fund, which enjoyed excellent financial results. Two other funds generated considerable interest: LBP AM ISR Diversifié, which recorded inflows of €90 million, and LBP AM ISR Actions Euro which collected nearly €160 million. Moreover, the LBP AM ISR Actions Solidaire fund continued its growth with €17 million in new money to reach outstandings of €75 million at the end of October 2020.

In October 2020, La Banque Postale spurred a new dynamic in its asset management business. LBP AM has become a management fund with multi-specialist convictions focused on sustainable finance. La Banque Postale finalised the reorganisation of fixed income and insurance asset management businesses of Ostrum Asset Management, in which it now holds a 45% stake.

Lastly, with its subsidiary Tocqueville Finance, LBP AM had €52 billion under management at the end of December 2020, of which €25 billion were in SRI labelled funds. Before this merger, LBP AM had €40 billion in outstandings labelled SRI (€15 billion were transferred to OSTRUM AM).

6.2.1.6.4 Responsible insurance

Through its insurance subsidiaries, La Banque Postale Assurance aims to offer insurance solutions that are consistent with its socially-responsible brand. Restorative by nature, insurance plays an essential role in the life of its customers, especially those who are most vulnerable. The aim is to develop simple solutions, designed to protect all its customers in the event of difficulties, and on a sustainable basis.

This commitment is reflected in a specific manner according to each profile:

- **For all its policyholders, La Banque Postale Assurance has put in place a Caregivers cover** of a dependent relative **in all its policies,** which offers, in the case of an insured risk, a home care attendant or the presence of a family member to replace the dependent relative's caregiver.
- **For young people**, La Banque Postale offers for people aged 18-29 (students, young professionals, job-seekers) a single per-room rate for the first two years of the policy and includes two specific covers "Exam budget" and "Recreational budget".
- **For vulnerable customers,**
  - **La Banque Postale does not apply the excess** in the event of a motor or a comprehensive home insurance claim,
  - It contributes to a project to improve prevention and insurance-related financial education with the "Dilemma" programme developed by the CRÉSUS Foundation,
  - It is committed to offering **savings solutions accessible to as many people as possible:** certain life insurance policies distributed in France require a minimum subscription of just €75,
  - CNP Assurances has marketed mutualised dependency contracts for several years. The special feature of these contracts is their easy accessibility. Thanks to inter-risk and inter-generational pooling, the cover is offered to all members of the Group, without medical selection (the only risks ruled out are those that have already occurred). Pricing based on the entire population covered and broad age group brings contributions down to moderate amounts within the reach of all budgets. This type of system guarantees a first level of protection against the loss of autonomy,
  - CNP Assurances is a founding member of the *Entrepreneurs de la Cité* foundation, which aims to help microentrepreneurs obtain insurance. It is one of the co-insurers for the foundation's Basic Insurance Kit contracts offering death/disability and health cover,
  - Lastly, the non-profit **ATD Quart Monde and CNP Assurances have offered a funeral insurance contract since 2016 for people living below the poverty line.** Having been drawn up with the help of the people concerned, this contract takes into account their real needs, offering a basket of guarantees necessary to finance dignified funerals. The challenge is to set a monthly fee within the budgets of very poor people (€0.50 per month for young people up to 30 years old, €13 per month for people aged over 70). Unlike conventional contracts, the monthly payments do not change according to the policyholder's age. People aged up to 80 can take out this insurance, and the guarantee comes to an end when the policyholder turns 90, when the solidarity fund created for the contract takes over.

This commitment is also apparent in our product offerings:

- **in the motor insurance range** with the ***Petit Rouleur*** low mileage offer, La Banque Postale Assurance encourages eco-friendly behaviour by championing low-emission travel. Policyholders who drive less than 8,000 km per year get one month's premium free, in addition to the one month free for owners of hybrid or electric vehicles: Moreover, **Taxi solution** has helped cut car accidents among the under 30s by offering to give customers a ride home when they not in a fit state to drive. Lastly, La Banque Postale Assurance has developed a specific offer: **Electric car, bike and scooter insurance** for zero-emission vehicles;
- **in the home insurance range:** La Banque Postale Assurance **encourages the growth of green energy** by providing accident insurance for renewable energy facilities, together with its *Allô Économies d'Énergie* (Hello Energy Savings) assistance service. The bank also offers specific life event products for policyholders with a home loan: For example, it takes over the monthly payments on a home loan if the home becomes uninhabitable following an incident that makes the housing uninhabitable and covers the financial loss due to the forced early sale of the property following an unexpected event (e.g., redundancy, disability, divorce). Lastly, it offers two types of cover specifically designed for students included in comprehensive home insurance: Recreational Budget cover (reimbursement of instalments paid for one or more recreational activities in the event of an accident) and Exam Budget cover (a €3,000 lump sum payment if the student has to repeat a year due to an accident);
- **in the medical insurance range:** LBP Assurance helps bridge the medical divide by offering 10 telephone appointments as part of the individual top-up policy, and a second opinion service via the hard times health policy. Moreover, La Banque Postale Assurance Santé is continuing to add to its hard times health policy. Since 28 October 2020, it has offered an insurance cover, Hard Times Borrower Help, which provides for payment of a lump sum amount to a policyholder who has received a Hard Times Illness Help payment in the case of the purchase of real estate (main residence, secondary residence, investment property) financed by a bank loan. This new cover supplements the policy's main cover which aims to protect policyholders and their children in the event of a covered illness, without any rate increase. Lastly **the crowdfunding operation *L'Atout citoyen*** was renewed on 2 November 2020. The purpose of this scheme is to support 12 solidarity-based and innovative projects. For each new personal insurance (personal risk, health, etc.) policy taken out, €2 are contributed to a fund for a call for projects on the KissKissBankBank crowdfunding platform. In 2021, €60,000 will be distributed to 12 innovative and solidarity-based projects to help people who are ill or disabled (€5,000/winning project). CNP Assurances draws on its exceptional understanding of risks, acquired over its many years of experience in personal insurance, to regularly update and refine its risk selection policy. A key aim of this policy, which takes into account the state of health of individual policyholders, is to accept and pool disability and incapacity cover wherever possible. In addition, since 2012, the conditions of eligibility for the premium cap applicable to low-income borrowers have been relaxed. Our term creditor insurance rejection rate has been stable at 0.2% for over ten years;
- **under certain individual term creditor insurance contracts**, La Banque Postale and CNP Assurances offers support for policyholders at important moments in their lives throughout their loan: family guarantees are granted to cover big events, such as the birth or adoption of a child, or during hard times, such as support for people caring for a sick child or a dependent parent. Since 2017, loss of employment insurance has been included in La Banque Postale's borrower offer. Combined with that offered by Pôle Emploi, the French employment agency, without any waiting period, it offers effective support Providing close support for customers, the guarantee ensures a payment for a maximum duration of 18 months, thereby offering additional security for specific situations. The guarantee covers 60% of the monthly loan repayment, higher than competitor rates, which are closer to 50%.

In addition, internationally, CNP Assurances offers innovative micro-insurance products and benefits in the event of "hard times".

- **in Brazil**, its subsidiary, Caixa Seguros Holding, was the first insurer to enter the Brazilian **funeral micro-insurance** market, with the 2011 launch of the Amparo product, which today covers more than 500,000 people. The Group also offers two products for people on low incomes: a retirement product with monthly payments of R$35 (approximately €8), and home insurance at a reduced rate. Similarly, CNP Cyprus Insurance Holding offers specific car and home insurance at a reduced rate.
- Caixa Seguros Holding also offers **policyholders in the late stages of a critical illness the ability to claim benefits without reducing the capital** built up under their policy, as well as free medication in the event of hospitalisation or emergency care. In 2017, it released its "Caixa Fácil" range, which can be taken out with electronic distributors, offering funeral services, discounts on drugs and dietary assistance. The Group's offers have been rounded out with multiple birth cover and job loss protection to maintain the family's pension cover.

Our commitment is lived out every day in our approach to customer relations:

- the idea for **Proxi-client** resulted from internal discussions at La Banque Postale Assurances. It aims to be more proactive when customers must deal with a dramatic event. Aware of the vulnerability of customers following an accident or traumatic event, counsellors contact them to listen to them and ascertain their physical and mental state. They may refer them free of charge to a psychologist through La Banque Postale Assurances' partnership with a specialist service provider. It goes without saying that there is no sales pitch or promotion of any kind whatsoever during these conversations;
- in **natural disaster** situations, La Banque Postale Assurances deploys **its Natural Disasters Team** to post office branches and offers support to victims in order to make the process easier. This scheme was put into action in September 2020 to help customers who had suffered a loss or damage from the earthquake at Le Teil in south-eastern France in November 2019. The teams were dispatched to the Maritime Alps following major flooding in the Roya and Vésubie valleys;

- the **Domi Clean service** helps salvage property immediately following an event and makes the home habitable as soon as possible while waiting for the loss adjusters;
- La Banque Postale has set up dedicated branches for dealings with the legal representatives of protected adults. They mediate the relationship with legal representatives and they send all documents digitally;
- in 2019, CNP Assurances' commercial network, Amétis, became the first network of advisers to boast a label for its commercial approach. The label was awarded by the certification body SGS. It attests to compliance with a charter of 13 commitments providing customers with proximity, availability, support, personalised assistance, advice and compliance with ethical rules, skills and listening.

More generally, our commitment is reflected in our support amid social and societal developments:

- our subsidiary CNP Assurances contributes to the discussions concerning long-term care and increases in life expectancy. It supports the idea of universal long-term care cover for maintaining autonomy and supporting caregivers. It is part of a public-private partnership, particularly following the French government's announcement in 2020 of the creation of a fifth branch of the French social security system dedicated to protecting against loss of autonomy (for more information, visit the CNP Assurances website https://www.cnp.fr);
- making life-long support for policyholders its mission, the insurance subsidiaries of La Banque Postale are continually expanding their offers with targeted assistance and prevention services to ensure effective support. CNP Assurances is contributing to the development of these service and assistance offers through its subsidiary Filassistance International. Its network of personal services for "golden age" seniors and its Lyfe digital platform offer health, well-being and "aging well" services (for more information visit the CNP Assurances website https://www.cnp.fr).

Measures to address the Covid-19 epidemic

During the spring 2020 public health crisis, La Banque Postale and its insurance subsidiaries demonstrated their civic commitment by putting in place special solidarity measures for their policyholders through:

- application of the *Petit Rouleur* low mileage tariff on car insurance contracts for three months;
- school insurance coverage reimbursed for home insurance customers;
- waiver of the excess in the event of a car or home claim, for three months as from the start of the lockdown;
- free remote medical consultations for complementary health insurance customers;
- three-month exoneration from complementary health insurance contributions for partial, temporary or economic unemployment;
- €50 million for group personal risk policyholders to cover sick leave costs to care for children and vulnerable persons;
- less stringent medical selection criteria to avoid need for a medical visit when applying for term creditor insurance.

In total more than 400,000 customers benefited from these modifications without any actions required on their part.

These measures were recognised at the *Trophées de l'Assurance* event by a consumer panel. La Banque Postale Assurance received the *Trophée OR de l'Assuré* (Policyholder Golden Award) in the *Service d'Année* (Year's Best Service) category.

6.2.1.7 Ensure systematic and rigorous management of non-financial risks

6.2.1.7.1 Measuring the level of exposure to non-financial risks

In addition to managing non-financial risks as part of its operational risk management (Chapter 6.1.2.2), in 2011 La Banque Postale adapted the non-financial risk assessment method for sovereign and non-sovereign counterparties developed by the SRI Department of La Banque Postale Asset Management (LBPAM) in order to measure the ESG risk exposure of transactions out by the Corporate & Investment Bank, dealing as principal. In 2014, the annual measurements changed to half-yearly. In 2019, the method was updated to reflect the new SRI approach and apply the GREaT philosophy accordingly. The results at the end of December 2020 show a reduction in overall CSR risk exposure: for non-sovereign issuers, 92% of assets were invested in issues characterised by controlled non-financial risk (versus 88% at the end of 2019). In addition, exposure to the highest risk securities in terms of SRI factors is nearing zero.

Overall, at the end of 2020, the risk score of non-sovereign issuers had fallen to 4.06 (vs. 4.44 at end-2020), on a scale of 1 to 10, 10 being the highest risk. Sovereign issuers had a risk score of 4.48 (vs 5.15 end-2018), reflecting higher SRI quality than those of the benchmarks for euro zone sovereign bonds.

6.2.1.7.2 Applying non-financial criteria to corporate and investment activities

In January 2016, La Banque Postale's Executive Committee approved the launch of a **Responsible Financing Charter** to govern the issue of corporate loans and, following the updating of the Charter in 2020, the activities of the BFI. The Charter stipulates that loan applications will automatically be rejected for a certain number of sectors, deemed too risky from a non-financial point of view (gambling establishments, pornography, tobacco, nightclubs, the coal industry), as well as organisations and companies that have gravely and repeatedly been in breach of the law, codes of conduct or conventions (infringement of environment law, international codes and conventions, or fundamental rights at work). In 2019, the blacklist was extended to include applicants linked to deforestation.

In addition, La Banque Postale published a **Defence Sector Policy** designed to establish a framework for the Group's work with this sector, which poses considerable ESG challenges. The policy requires La Banque Postale to ensure that the bank's business does not include any commercial dealings with companies involved in the manufacture and sale of controversial weapons (anti-personnel mines or cluster bombs) or unconventional weapons (biological, chemical, nuclear, depleted uranium, blinding laser and incendiary weapons). By the end of 2020, around forty companies had been blacklisted by the Bank on this basis.

At the same time, La Banque Postale maintained a heightened level of vigilance in 2020 for a certain number of securities with **high non-financial risk** that breach international conventions and the principles of the Global Compact. These are frequently **controversial** and therefore do not align with La Banque Postale's CSR values.

In addition, in line with its desire to play an active part in the energy transition, La Banque Postale has decided **not to finance the development of fossil fuels**. As a result, the only energy projects financed by the CIB asset and project financing unit are renewable energy projects. Agricultural commodity funds are also excluded from the list of authorised financial instruments.

Thus, in 2020 the CSR unit was questioned some fifteen times by the teams of the Risk Department, the trading room and the DEDT. Six unfavourable opinions were issued for the following reasons: Two rejections related to the topic of adult entertainment, two rejections related to the oil and gas sector and two refusals of unclear collateral.

La Banque Postale also strives to prevent financial, legal and reputation risks caused by investing in jurisdictions known for a lack of regulation, transparency or cooperation regarding tax fraud, money laundering and terrorism financing. It has compiled a **list of at-risk countries** where it cannot carry out or participate in any commercial development.

Lastly, since 2010, La Banque Postale Asset Management (LBP AM) has stepped up its responsible practices, by including environmental, social and governance criteria when selecting its market intermediaries. It uses a questionnaire developed by the LBP AM SRI Research and Management Department and sent to all market intermediaries (i.e., the financial institutions with which LBP AM conducts market transactions). Seventy-five institutions have received this questionnaire since 2016.

6.2.1.7.3 Measuring exposure to climate risk

In 2020, the Group Risk Department continued to work with La Banque Postale's CSR Unit to identify and analyse its sensitivity to climate change, in accordance with the recommendations of Article 173 of the Energy Transition for Green Growth Act:

- in particular, La Banque Postale created a department within the Group Risk Department dedicated to managing climate and environmental risk, whose main missions are to put in place an overall framework for managing climate risk and to include this theme in the Bank's risk control system;
- in addition, La Banque Postale is taking part in the pilot exercise of the climate test launched in 2020 by ACPR. This unique exercise enabled the Bank to analyse the sensitivity of its activity to climate challenges as much on the scenarios concerned with transition risk as on physical risk. The results are expected in April 2021.
- La Banque Postale also took part in several market working groups tasked with defining a gauge for marketplace exposure to climate risks and to be ready for the regulatory requirements, particularly on topics such as transparency regarding sustainability (Disclosure Regulation) and the implementation of the EU Green Taxonomy.

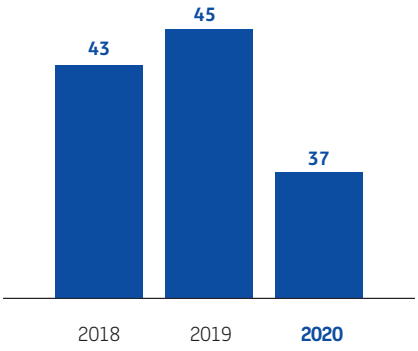
Another way in which La Banque Postale measures its climate risk exposure is by using a methodology to measure the carbon intensity of its CIB (Corporate and Investment Bank) activity. By applying this method, developed by LBPAM, to corporate bonds, the Bank is able to control its exposure to securities with the highest greenhouse gas emissions. At the end of December 2020, the carbon intensity of "corporate issuers" was 36.5 tCO_2/€m of revenue √(1) (versus 45.4 tCO_2/€m of revenue at the end of 2019). This figure is well controlled because it is correlated with the sector breakdown of the portfolio, which is heavily invested in the financial sector whereas industrial or energy sectors have far higher carbon intensity. The exercise also helped to identify the most carbon-intensive assets, focusing on players in the "coal" sector, and to inform any potential divestment discussions. At the end of 2020, the coal sector only accounted for 0.4% of non-sovereign issuers (vs. 0.5% at end-2019). None have been blacklisted on the basis of the coal policy.

La Banque Postale also contributed to the work of the French Banking Federation (FBF) designed to provide greater transparency regarding French banks' exposure to the coal industry through their lending activities with these companies. In this regard, the amount of exposure to the companies listed by the coal database used, prorated to coal's % of revenue, is equivalent to 0.09% of the Bank's corporate credit portfolio.

Alongside these factors, in 2020 La Banque Postale continued the work begun the previous year to produce a methodology for aligning its business trajectory with the goals of the Paris Agreement (SBTi work).

Lastly, in order to ensure the achievement of its goals and strengthen its position as a major player in the transition, the Bank included in its 2021 risk appetite system, an indicator of its non-financial rating, which must remain among the highest in the EU. Other metrics, which are more specific to physical and transition risks and are applied to the Bank's portfolio are being developed for inclusion in 2022.

(1) √: indicator independently verified to a reasonable level of assurance.



Level of exposure to climate risks of the BFI business (corporate issuers) in t.CO_2/€m in revenue

6.2.1.7.4 Ethics: better risk management for business

La Banque Postale is determined to promote ethical and responsible behaviour in-house, in order to confirm the relationship of trust it has with its customers, employees, markets and service providers and all of its stakeholders.

Raising awareness of ethics

The work of updating the Bank's code of conduct began in the second half of 2020 and was completed in December. It is planned to strengthen the section devoted to combating money laundering and the financing of terrorism, as well as the newly adopted policy for preventing and managing conflicts of interest.

Employees therefore receive ethics training when they join the Company and throughout their career, thanks to training campaigns provided since 2006 on the rules of good conduct. This training covers the key principles and rules in operation at La Banque Postale and La Poste: respect for customer needs, banking secrecy and data confidentiality, prevention of conflicts of interest and compliance with the rules for using information systems. New employees receive at their arrival an induction package that includes the code of conduct and the Anti-Corruption Code.

In addition, the Ethics and Anti-corruption e-learning module is being revised and will be available at the end of 2021. It is intended for the employees of La Banque Postale Group as well as the people working under the name of and on behalf of the Bank.

As well as this training, the La Banque Postale Head of Ethics designs awareness campaigns, which are carried out by the designated Ethics Officers at each of the business lines and departments. The Head of Ethics also sits on various bodies (managerial communities, Executive Committees, special audit training, subsidiaries). Such actions were carried out with the Group's new employees: the inspectors, the Compliance Division teams or all the management of the Greater Paris area Distribution Network (400 people in an online web conference).

Professional accreditation

In order to comply with banking sector regulations, employees who work directly with customers must have various accreditations, particularly in the following areas: direct selling by banking and financial institutions; insurance; AMF certification for some employees.

In 2020, the proportion of eligible employees who had been accredited was 96, 87 and 93% respectively for each of these areas.

Ethics compliance monitoring

The Company uses a system for **detecting and monitoring malpractice and ethical misconduct**. A warning is generated if the system detects any professional breach or non-compliance with the code of conduct. The system notifies managers of any breach of the rules so that they may take the appropriate measures. Several follow-up meetings were held in 2020 to check that actions were being correctly implemented following these warnings.

In case of a suspected breach of ethics or an incident, there is a **whistleblowing scheme and warning system** for escalating information to La Banque Postale's Head of Ethics. Reports may also be received by the compliance officers working in the Bank's various departments, subsidiaries and La Poste's Distribution Network. This warning system is hosted at a secure external site so that any warnings pertaining to corruption can be received with sufficient confidentiality. Whistleblowers have the right to anonymity and are protected by regulation.

With regard to governance issues, the **cross-departmental Ethics Committee** met three times in 2020, chaired by the Head of Ethics. These meetings allowed the departments and business lines to discuss common issues, such as how to monitor cross-departmental ethical risks, action plans, training and new regulations, and how to share best practices. The Head of Ethics at La Banque Postale also sits on the **La Poste Ethics Committee**, a body that combines the heads of ethics of each of Le Groupe La Poste's four business lines.

Stepping up the fight against corruption

In 2020, La Banque Postale devoted itself to monitoring implementation of the eight points of the system, in line with Le Groupe La Poste principles: *Tous concernés - Tous vigilants - Tolérance zéro* (All involved - All vigilant - Zero tolerance). The goal of the corruption prevention strategy is to monitor all areas concerned (risks, training, controls, codes of conduct, handling of alerts, due diligence of third parties etc.).

The Anti-Corruption Committee, which encompasses all La Banque Postale Group entities (departments and subsidiaries), met three times in 2020 chaired by the Head of Compliance.

The whistleblowing system, which has been extended to include corruption warnings, is now accessed via an external website, with reports accessible only to the Head of Ethics and authorised employees.

La Banque Postale ensures that its suppliers also share its values regarding the prevention of corruption by having them sign a Responsible Purchasing Charter which underscores the importance of respect for human rights, labour rights and the environment.

In 2020, La Banque Postale continued and extended its work on producing a corruption risk map. It also carried out a "second wave" of accounting controls, reviewed the Ethics and Anti-corruption e-learning module and drew up the specifications of the training programmes for the most exposed employees. These training modules have been available since the end of 2020 and will be deployed in 2021.

6.2.1.7.5 Preventing tax evasion

DPEF

Finally, as a key player in the French economy, La Banque Postale **combats tax evasion** by strictly complying with the rules and preventive measures. As a French retail bank, it works nearly exclusively in France and does not have any branches in countries on the French list of non-cooperative countries and territories or on the European list of tax havens. La Banque Postale has continued to operate to a very limited degree in countries where La Poste was already conducting business at the time La Banque Postale was founded. The proceeds from that business are fully taxable at common law rates and are not subject to transfer pricing issues.

The tax affairs of La Banque Postale are handled directly by the La Bank Postale's Tax Department in Paris, which provides centralised tax advice to all of the Group's companies. This management is based on principles of stringent compliance with applicable regulations and transparent with the authorities. The ESG checklist, which is systematically included in the design of all products and services offered to customers, includes criteria relating to tax evasion. The products and services sold by BPE, La Banque Postale's private banking arm, are reviewed to ensure that they do nothing to encourage investment in non-cooperative countries and territories. La Banque Postale Group drafted an official tax policy in 2018, which was incorporated into the code of conduct.

Lastly, La Banque Postale includes tax fraud in its system for combating money laundering and terrorism financing in accordance with the regulations.

In terms of financial security, La Banque Postale strengthened its **Anti-Money Laundering/Combating the Financing of Terrorism (AML/FT)** measures through the updating of its normative framework. The operational implementation of the new standards related to transaction monitoring and AML/FT warnings management is continuing throughout the Group.

6.2.2 Commitment to employees

La Banque Postale is unique in the French banking landscape, as a result of its history, its human values and its capacity for growth. It puts its employees at the heart of its transformation strategy in order to achieve its growth, innovation and digitisation goals. It listens to and considers each of its employees, in the aim of motivating them to help achieve its growth, operational and financial targets. Increasing their skills and responsibilities is a necessary driver of change, in which they are both contributors and beneficiaries.

6.2.2.1 Supporting mobility and training employees

Given its momentum for transformation and to reaffirm its goal of building the "bank of tomorrow" with "the employees of today", La Banque Postale is highly committed to the engagement, mobility and training of its employees.

6.2.2.1.1 Mobility and career development

La Banque Postale has for many years put forward concrete measures to promote the mobility and career development of its employees. It focuses particularly on helping each employee achieve their professional goals throughout their career by encouraging the development of their skills. It also supports employees affected by a project to transform their activity in keeping with its social model. In addition, it encourages its employees to discover new careers within the Group.

Since 2018, a skills database has been used for the annual performance and career reviews of all employees. **This document encourages and focuses discussion between the manager and the employee on the skills expected for the employee's current position and those that could enable the employee to move towards other positions in the future**. Moreover, in order to facilitate mobility and inter-branch career development within Le Groupe La Poste, the departments in charge of mobility and recruitment are pooled and the HR information systems have evolved.

In 2020, despite the health and economic crisis, La Banque Postale continued to implement its **internal mobility and recruitment plan. A total of 3,752 positions were filled** throughout the entire Bank and La Poste's Distribution Network **(new jobs and replacements).** Priority was given to customer service, with recruitment of 913 in-branch or remote customer service positions and 1,213 Retail Banking advisers.

In addition, 685 managerial positions (local sales managers) and 675 positions for regulatory, financial, audit or digital experts were either created or had their vacancies filled.

The career path of La Banque Postale's employees fall within the framework of the following social agreements: the agreement of 2 March 2016 on the role and career path of banking advisors and the agreement of 17 December 2014 on the method and social measures with regard to the banking advisory profession. In addition, La Banque Postale's employees benefit from the provisions of the collective agreement of 22 March 2016 on the mobility of La Banque Postale Group employees.

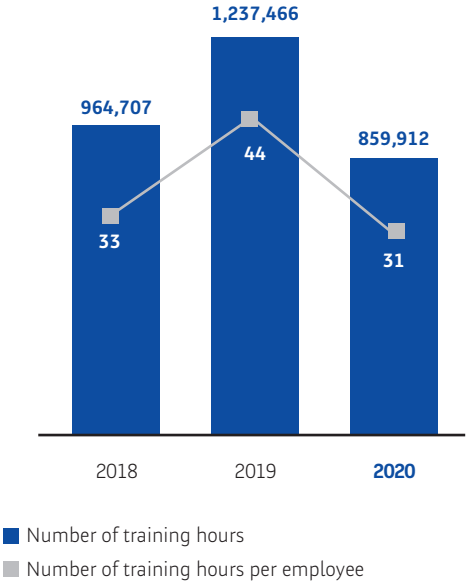
6.2.2.1.2 Training

The *École de la Banque et du Réseau* (EBR) contributes to the development of Le Groupe La Poste by supporting the professional development of employees towards strategic skills and the professions of tomorrow. Its training offering, constructed together with the Forward-looking management of Jobs and Skills (GPEC) is constantly expanding to support the Group's strategic projects and meet the branches' challenges.

In 2020, La Banque Postale invested 3.6% of its total payroll in training. This ambitious training policy is based on four elements:

- improving customer relations: training in new methods and postures, particularly remotely, to ensure more efficient sales service for our customers;
- developing business assets: developing skills in highly competitive markets, particularly in the fields of insurance, professionals, assets and real estate loans;
- integrating digitalisation into practices: supporting the adoption of the digital tools and digital offers of Le Groupe La Poste;
- being in regulatory compliance: the professional training of the business lines, by guaranteeing control of banking risks.

Qualicert certified since April 2020, the *École de la Banque et du Réseau* puts the customers' satisfaction at the heart of its concerns and develops its agility to meet their changing needs. In an environment shaped by the public health crisis, the EBR reinvented its model and accelerated the digitalisation of its training to ensure the continuation of its skills development programme. 110 training courses were virtualised, more than 8,000 virtual training sessions were conducted and 550 personal training sessions were provided by telephone. The smartphone app U[K]now is developing its features and now offers regulatory certifications that are entertaining, effective, 100% remote and accessible at all times. The training in AML/FT ("Anti-Money Laundering/Combating the Financing of Terrorism") received the Expertise award at the "Mobiles Learning Awards" event organised by "Teach On Mars", in July 2020. Moreover, these remote training sessions are now facilitated by the digitalisation of the attendance sheets via the Signéo app developed by the company.



In all, more than 127,000 training days were provided to employees of La Banque Postale, Financial Services, the Banking Advice Line and the subsidiaries, including CNP Assurance. This amounts to 893,414 hours of training including the training provided to CNP Assurances employees and 859,912 hours without including CNP Assurances. Excluding CNP Assurance France, an average of 31 hours of training was provided per Group employee in 2020.

For 2021, the EBR aims to work on a closer integration of the SRI issues by complying with the requirements of the LUCIE Label (which is aligned with ISO 26000).

6.2.2.1.3 Youth employment, integration and training

La Banque Postale is particularly active when it comes to the integration **and training of young people** for work.

To facilitate the integration of interns and work-study trainees into the Company, managers now have access to a dedicated HR contact who helps them define their needs and manage the recruitment process. The HR contact also oversees students as they join a team and ensures that their mission goes smoothly.

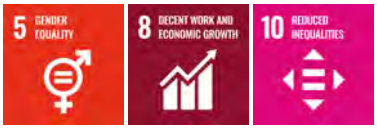
La Banque Postale has developed close ties with the student world in order to raise the profile and appeal of its business lines and branches and help students access the world of work. It thus works with 21 partner schools - business schools, engineering schools and universities - throughout France. In 2020, the public health situation obliged the Bank to limit its initiatives aimed towards students. Eleven, essential remote, activities were organised, compared to 37 in 2019. La Banque Postale is continuing its virtual meetings with students from different schools in order to facilitate the integration of interns and work-study trainees in the current context.

In particular, La Banque Postale took part in the *Assises nationales étudiantes du développement durable* (ANEDD "The National Student Convention for Sustainable Development") in November 2020, in partnership with the Toulouse Business School and organised an Innovation challenge in partnership with the EDHEC business school in March 2020.

In total, at 31 December 2020, **1,700 work-study trainees and 1,050 interns** were in training at La Banque Postale on either an apprenticeship or professional training contract with a level of education ranging from Bac+2 to Bac+5 for a term of one to two years.

Moreover, as part of its Junior Area Manager programme, 26 young Bac+5 graduates joined the La Poste Distribution Network in October 2020. As a core business challenge, the job of "Manager of a challenging sector" is one of the high-priority recruitment functions. The aim is to train these students for their future profession through a nine-month programme, alternating classwork, operational immersions and customised support work.

6.2.2.2 A comprehensive and competitive remuneration policy



La Banque Postale's human resources policy is based on remuneration that aims to attract, retain and support career paths, establish a link between employees and the Company's performance and recognise each person's contribution to development. This policy also monitors respect for fair pay and gender equality. Thus, in 2020, La Banque Postale introduced two types of collective review: one for the entry salary levels (up to €48,000) and the other for employees not reviewed in the previous three years. In line with the announcements made by the President of France, and as part of the measure taken by Le Groupe La Poste, La Banque Postale decided to grant a special "purchasing power" bonus to its employees in 2020.

La Banque Postale also set aside a budget of €130,000 for promoting **gender equality, 8% more than the previous year**. This budget, for reducing the pay gap and ensuring equal pay for equal jobs, resulted in a pay rise for 93 employees at La Banque Postale.

With regard to **variable collective remuneration**, La Banque Postale involves the employees in the Company's results and performance through the distribution of performance-related incentives and profit sharing. Performance-related incentives, which are calculated on operating profit (75%) and CSR score (25%), reflect everyone's contribution and La Banque Postale's commitment to sustainable development. In 2020, La Banque Postale was among the top performing banks globally for the sixth year in a row. For 2020, the net salary and benefits aggregation scheme budget was €8.1 million. This was in addition to a profit-sharing budget of €3.9 million net.

La Banque Postale also gives its employees the opportunity to build up medium- or long-term savings via the **PEG** (Group savings plan) and **PERCOL** (Collective company retirement savings plan) schemes. To help them save, La Banque Postale contributes up to €1,400 gross per employee per year. In 2020, it contributed a net total of €3.5 million. In 2020, eight subsidiaries had signed up to the La Banque Postale Group PEG and nine to the PERCOL scheme. Since the end of 2020, almost all of the eligible investment funds of La Banque Postale have been SRI-certified and therefore solely comprise socially responsible assets.

At Financial Services, the 2019 performance of Le Groupe La Poste allowed it to pay employees a net incentive under the salary and benefits aggregation scheme of €2.3 million. To encourage medium and long-term savings, Le Groupe La Poste gives its employees the chance to join a group savings plan or collective pension plan. La Poste supports its employees' saving efforts every year by contributing up to €2,400 gross per annum to their individual investments. In 2020, the net total employer's contribution for Financial Services employees was €2.8 million.

6.2.2.3 Dialogue and employee relations

Since its creation, La Banque Postale has paid special attention to ensuring high-quality employee relations, based on trust and mutual respect.

Numerous agreements and amendments to existing agreements were negotiated and signed in 2020. Some of them received the unanimous signature of the employee unions:

- the agreement on career paths and skills valuation for mandate holders signed on 5 February 2020;
- the collective agreement on salary measures and the employer's matching contribution to the employee savings plans for 2020 signed on 19 February 2020;
- the agreement on the employment of people with disabilities signed on 17 June 2020;
- the professional equality and diversity agreement signed on 22 October 2020;
- La Banque Postal Group's salary and benefits aggregation scheme signed on 31 July 2020;
- the amendment to the collective agreement of 29 January 2015, which had instituted the La Banque Postale Group employee retirement savings plan (PERCO); the amendment transformed the PERCO plan into a collective company retirement savings plan (PERCOL).

These are in addition to previous agreements signed, for the most part, unanimously and still in effect: the home working agreement signed on 29 January 2019, the agreement on employee representation at the La Banque Postale CSE (Social and Economic Committee) signed in July 2019, the agreement on trade union rights and employee relations at La Banque Postale (signed unanimously), the La Banque Postale Group collective agreement on profit-sharing signed 28 June 2018; the agreements instituting the Group savings plan, the employee retirement savings plan, supplemental collective welfare and health insurance, on diversity, equality at work and the cross-generation contract, the agreement on training, on the constitution and functioning of the Group Committee, on on-call work and working hour exceptions, on working hours, on electronic voting etc.

The standards of La Banque Postale's employee relations have thus continuously improved since its creation, with over one hundred collective agreements signed between 2006 and 2020.

La Banque Postale was one of the first banks to institutionalise home working in an agreement in 2019. It has also put in place a framework for assessing the skills exercised by the employee representatives in respect of their elective and appointive offices. In addition, La Banque Postale anticipated the merger of the employee representative committees while preserving their prerogatives and their territorial presence thanks to local representatives.

In 2019, La Banque Postale organised the elections by professional branch which set up the new Social and Economic Committee; the elections had a record turnout of 60.28%

With regard to employee relations and social dialogue, the Social and Economic Committee (CSE) and all its expert commissions (social and cultural activities, housing information and assistance, professional equality, training, economic, health and well-being in the workplace) are attentive to any project impacting the Company, regardless of the topic - the economic and financial situation, social policy, work and employment conditions at La Banque Postale. They are also consulted on the financial statements of La Banque Postale Group and the strategic and development orientations.

The Social and Economic Committee also manages the social and cultural activities and the funds earmarked for these activities.

In parallel, a Group committee, made up of employee representatives of La Banque Postale's parent company and subsidiaries, meets regularly to discuss topics of strategic importance for the Company.

In total 55 meetings took place in 2020, of which 26 of the CSE (15 in 2019), 13 of the Health, Safety and Working Conditions Committee (CSSCT) (compared to seven in 2019), 13 of the follow-up commissions and three of the Group Committee.

In addition, "Strategy days" are now held every year to bring together the unions and La Banque Postale management. They met between November 2019 and February 2020 to discuss the Bank's strategic orientations and its projects, along with question and answer sessions.

In 2020, La Poste's Financial Services continued to enjoy high-quality employee relations. Eleven meetings were held at national level (ten workplace relations commissions and one meeting of the committee for monitoring the "Future of banking business lines" agreement (AMB 2016-2020)). Many local meetings to discuss national projects also took place.

Several major topics were dealt with in 2020:

- organisational changes (updates on the Excello project, underway since 2016, on the transformation of the Financial Centres, the arrival of natural language for directing customer calls, changes within the Corporate Department, developments in collection, the payment path, implementing simplified accounting procedures, the transfer of customer services' written activities to specialised departments, etc.);
- monitoring the AMB 2016-2020 agreement, including targets and commitments met or exceeded (promotions and certifying paths).

2020 was also shaped by the public health crisis tied to the Covid-19 pandemic. Meetings concerning with employee relations were numerous, at La Banque Postale and Financial Services, both at the national and local level. These meetings provided opportunities for discussion with elected employee representatives on the protection measures implemented for employees and customers. In record time, the Financial Centres rolled out an innovative and secure solution for working remotely for functions that until then had not been eligible for home working (customer services).

Of the cross-functional topics falling within the scope of the Distribution Network and Financial Services, nine meetings of the La Poste social dialogue commission (CDSP) and one committee meeting to monitor the agreement on the requirements for bank advisors were held in 2020.

The CDSP meetings, in particular, served to present:

- the plan for sales actions and services for the Bank and the Distribution Network;
- the 2020 plan for skills development;
- the launch of experimentation with a new model for relations with Retail Banking customers;
- assessment of the changes in La Poste's Risk Division;
- the sales results for the Bank and the Distribution Network;
- the action plans relating to the information systems;
- the situation regarding the home loan distribution scheme.

For their part, the follow-up commission meeting updated the unions on all of the actions implemented for banking advisors under the agreements covering their working conditions. As this agreement expired in December 2019, the follow-up commission meeting also presented to the unions the procedures for maintaining the measures until December 2020.

These various topics were discussed locally in the employee representative bodies of the various entities of the Bank and the Distribution Network.

6.2.2.4 Promoting quality of life at work and employee well-being

6.2.2.4.1 Promoting quality of work-life

Based on the principles decided under the health and well-being at work agreement, in 2020 La Banque Postale strengthened the professional development of its medical-social and prevention network. These efforts were particularly focused on the application of the health measures and protocols, as well as the drafting of the internal procedures in relation to providing individual and collective care and support during the Covid-19 pandemic.

In cooperation with the national occupational Health and Safety Committee (CNSST), a true effective body for consultation and circulation of guidelines to local Occupational Health, Safety and Working Conditions Committees (CHSCT), work was undertaken to analyse the impacts of the public health crisis. They also aim to create a national social observatory, carried out by the Social Workers Network, and to offer prevention plans adapted to the successive periods of lockdown/release from lockdown for all the entities whether in contact with the public or not.

A strengthened partnership between the Human Resources Department and the business line departments within the Banking Operations Department served to improve adaptability and reactivity in unusual situations through the deployment of tools and processes. Remote working and the protection of employees were thus facilitated, while securing our customers' sensitive transactions. We were thus able to maintain our activities and service, thanks to a rich, regular and local social dialogue.

The year was therefore exceptional and innovative, with special attention given to topics related to work life and social relations in order to build upon all the work undertaken in the last several years related to improving work-life conditions and supporting employees during crisis situations.

6.2.2.4.2 Prevention

2020 was marked by an unprecedented public health crisis. In the face of this crisis, La Banque Postale established a suitable prevention plan for preserving the health of its employees.

This action plan is based on four elements:

- **human:**
  - deploying preventive actions to avoid infection during worktime,
  - providing employees with protective equipment,
  - regularly advising employees of the guidelines published by the health authorities on the organisation of work and on the situation in the Company,
  - helping managers handle remote management thanks to push mails and video conferences;

- **organisation:**
  - proposing new ways of organising work based on remote work for eligible positions,
  - adapting the organisation of work to the positions not eligible for working remotely;
- **technical:**
  - massively deploying tools and communication means enabling remote work;
- **environmental data:**
  - strengthening the prevention actions in the Group's various entities.

In parallel, the risk evaluation documents were updated and a specific Covid-19 appendix was created. These documents were shared with the employee representatives and the employees.

Despite the context, pinpointing of the other work risks continued per business line and entity, leading to a prevention plan which will be finalised in 2021.

During the periods of lockdown and release from lockdown, various "flash" surveys were carried out with all the employees. These surveys enabled us to adjust the action plans in progress while adopting new actions.

As is the case every year, the "commitment" barometer of Le Groupe La Poste was deployed at La Banque Postale. In 2020, the rate of response in the entities of the La Banque Postale Group was above 68%. The various results of this survey will be used to establish an action plan on pyscho-social risks in 2021.

All of these actions are carried out in cooperation with the Safety and Health at Work (SST) unit in cooperation with the HR team and the managers.

6.2.2.4.3 Raising manager awareness

A quality work-life is above all based on the ability of individuals to gain a sense of **professional fulfilment** at work, itself the fruit of an appreciative working environment. This philosophy of human consideration and willingness to commit is covered by the in-house **management courses**.

Indicators such as the social barometer and short-term absenteeism, integrated into managers' objectives, enable assessment of the quality of life at work. The managers are supported in the performance of their missions through the help of HR tools: coaching, mentoring and mediation. Other actions are also developed to improve their managerial approaches: feedback, an area for discussions about work, discussion workshops etc.

Moreover, within the operational HR Department for Financial Services, an **employee dedicated to mediation and support** provides assistance to local managers and HR teams. This arrangement facilitates the resolution of complex individual situations - individualised support, professional or geographic mobility, etc. **In addition, in order to support managers in the context of the public health crisis, in 2020 specific actions were taken:**

1. Arrangements for listening and monitoring such as those dedicated to the return to work and to employees adopting home working for the first time;
2. Actions to communicate and raise awareness among managers and employees:
   - the regional departments organised *Rendez-vous 5 sur 5* meetings, which took place within the entities of the La Poste Distribution Network. This provided an improved system of local managerial communication for sending and receiving messages on strategy,
   - workshops on remote management were offered to 95 managers and "relay" employees or facilitators in Financial Centres, who were in turn responsible for widely circulating the content of these sessions,
   - an HR kit was created to help employees to work remotely. A guide was also circulated to the Distribution Network's and the Bank's managers to help them when activity resumes at their workplace. This support is particularly aimed at creating a collective dynamism;
3. "Maintain the link" workshops for Financial Services employees to help them learn how to use the collaborative tools (Office 365) were set up:
   - 200 workshops with more than 1,000 participants (managers, customer relations representatives, etc.),
   - 60 "flash" individual coaching sessions (senior managers, department heads, local managers),
   - 15 collective coaching sessions to best prepare for the return to the workplace (Management Committee, management teams in Financial Centres and the Head Office),
   - seven co-development workshops dealing with operational issues.

In addition to these actions linked to the public health situation, 2020 saw the continuation of the action plans implemented over the last several years. The Group increased its measures for facilitating the autonomy of the managers of La Poste's Distribution Network and La Banque Postale. It continued its efforts to promote the new ways of working such as home working, which has become more widespread since the public health crisis.

6.2.2.4.4 Handling of individual cases

The Distribution Network's Quality of Life at Work (QVT) Department has been improving a system **for handling individual cases** since 2017. This initiative provides support for employees who are highly exposed to psychosocial risks, absenteeism related to external violence and significant changes.

In 2020, employees received strong support in relation to the public health situation. The aim was to maintain the link with people who were far away from work during the lockdowns and then to enable the return to work to take place under the best circumstances possible.

In addition, the agreement on social priority branches also includes an additional measure for **supporting victims of abuse** who need longer-term psychological help than currently provided in existing arrangements. Partners offering psychological support for victims of abuse have been asked to provide assistance with the most delicate situations over a one-year term. This mechanism is activated by managers and HR employees, after consulting the occupational health doctor.

Lastly, in 2020, La Banque Postale launched the Prévilot project to prevent physical problems due to remaining standing for long periods. The project aims to install 1,000 units in post office branches in 2021. This modification should relieve employees by alternating between standing and sitting positions.

6.2.2.4.5 Absenteeism

In 2020, particular attention was given to the risks of absenteeism related to the public health crisis and to the first lockdown.

In the face of this situation, the One-off Remote Work Solution (SPAD) was implemented in Financial Centres, "flash" listening sessions and workshops on remote management and on the assimilation of new tools were offered as a way of listening to employees, helping them with their operational problems and thereby enabling them to work under the best conditions possible.

Collective and individual coaching sessions as well as co-development workshops were also offered to provide employees with opportunities to express themselves and avoid isolation and burn out.

In addition, an HR kit was created and distributed. The kit brings together a variety of information: contacts and themes (my work environment, customer transactions that could be handled without risk for employees, functional and technological support media, available resources, etc.). This kit thus serves to reassure employees while enabling them to calmly handle the post-lockdown, return to the workplace phase.

In 2021, training in the Group HR Department's *ParlonsZen* approach and the setting up of work discussion areas (EDTs) that first began in late 2019, will continue. As the first wave of "ambassadors" have finalised the training course, they will now make it available to managers.

The specifics of this deployment are being determined and will be integrated into the Employee Experience process that has been implemented in the Bank Operations Human Resources Department to serve the operational departments. This newly created unit will coordinate all actions.

Several other processes will be carried out in 2021: an analysis of the results of the 2020 Group commitment barometer, surveys of various panels as well as an assessment of the existing supplementary local initiatives. These projects will provide the basis for an action plan concerning the larger Quality of Life issue once again involving the mobilisation of the managers.

Several areas were defined:

- strengthening communication in order to encourage the involvement of managers by linking this issue to company results and performance. The managers are the front-line players; they must therefore receive support (by providing them with measurement and reporting tools to be used by everyone and training in these tools, behaviour training - coaching, raising awareness of burnout situations, RPS, etc.;
- discussing a new form of governance (sharing the results and progress of the actions taken in the centres' decision-making bodies - Executive Committee);
- improving the quality of HR support and messaging on the existing tools and systems (area-time communication) and dedicated specific campaigns, training and implementation of the Group processes - Parlons ZEN, APALA, etc.).

Since 2019, the sharing of best practices between regional departments and the use of external service providers (theatre, conference speakers) provided for in the "Quality of Life at Work" action plan have reduced absenteeism.

In 2020, initiatives on stress and caring management were continued in the regional departments, working with the operational and back office teams. The analysis of the objective reasons for absenteeism made it possible to implement the "Everyone Here" project to reduce absenteeism at La Poste's Distribution Network. This project aims to bring out managers' best practices through idea-sharing workshops.

6.2.2.5 Guaranteeing equal opportunity in hiring, careers and promotions

Respecting and promoting the principle of equal opportunity and equal treatment is something which applies to all company players, at all levels and at all stages of their working lives. As "a caring, socially responsible bank", La Banque Postale is committed to promoting diversity and equal opportunity, to give everyone access to its various business lines. It also pursues an employment development policy for people with disabilities, promoting their integration and ensuring their career development.

6.2.2.5.1 Diversity and disabilities: commitments and agreements

La Banque Postale fully assumes the responsibilities of a trusted banking player towards its stakeholders (employees, partners and customers) and since its creation has carried out an active policy to help people with disabilities to enter and remain in the workforce. In 2008, it launched a Disability and Diversity mission now called **"Diversity and Inclusion"** whose role is to raise employee awareness about disabilities, ensure, in cooperation with the occupational health doctor, that people with disabilities can remain in the workforce, recruit people with disabilities and increase purchases from the sector employing disabled persons.

With this in mind, La Banque Postale has made commitments to support employment of people with disabilities and employment equity between women and men. A series of agreements have been signed in this direction: the first one signed on 17 June 2020 in the area of disabilities and the second signed on 22 October 2020 in the area of diversity and gender equality in the work place.

Proof of its commitment to diversity, La Banque Postale signed the "Cross-Generation Contract" on 7 November 2016 providing measures for promoting young people's access to employment, maintaining and increasing the employment of seniors and the transmitting knowledge and skills between generations within the Company. La Banque Postale strengthened its commitments to gender equality with the renewal of the "diversity and gender equality in the workplace" 2020-2022 agreement. In 2020, the La Banque Postale Group's Gender Equality Index was 97/100.

Aware of the problems caused by prejudice and stereotypes, La Banque Postale is dedicated to fighting all forms of discrimination. In particular, it offers diversity training to help employees better understand what diversity means and the challenges involved.

In 2013, La Banque Postale signed the Diversity Charter as a commitment to fight discrimination in employment and to work in favour of diversity.

A **seventh La Poste Disability Agreement** was signed in May 2019. La Poste has strengthened its commitment to helping disabled persons stay in their jobs. This agreement continues to prioritise employee retention. On the topic of **employee retention**, the synergy between occupational health services, HR teams and management is strengthened through the use of feedback and employee retention committees (required by Le Groupe La Poste disabilities agreement). These commissions enable multi-disciplinary work. It also aims at pursuing efforts in matters of hiring persons with a disability, and turning to the adapted/protected worker sector. Moreover, the mobilisation to develop digital accessibility is being reinforced.

The fourth Le Groupe La Poste Equality Agreement was signed in July 2019. It establishes eight goals: guarantee equal gender numbers at all levels; offer equal career development opportunities; continue to combat ordinary sexism; increase actions to allow gender equality in all jobs; improve the sexism prevention schemes and measures for handling violent situations; continue the parenthood policies; continue the measures to protect a work-life balance; and guarantee equal rights for postal workers.

On 29 May 2019, **a new social agreement** on **youth and senior employment** was also signed. It aims to improve young people's access to employment, the job retention of seniors and the intergenerational transfer of knowledge.

La Poste has signed **the charter of "Autre Cercle",** a charity which defends LGBT rights. The charter will be implemented across Financial Services to demonstrate commitment to this topic.

In addition, on 18 May 2018, La Poste is signatory to the Cancer & Jobs Charter instituted by the INCA, the national cancer institute. This charter lists 11 commitments to improving support for employees affected by cancer and promoting health. It suggests principles and operating commitments that companies can use to establish a coherent approach to helping people with cancer stay in work for as long as possible, and return to work afterwards.

6.2.2.5.2 The Diversity and Inclusion mission in action

To achieve its goals, the '"Diversity and Inclusion" mission of La Banque Postale and the network of 29 Financial Services Disability and Diversity Officers carried out numerous actions and participated in many events in 2020.

In relation to disability, the commitment to hiring disabled persons was met in the 2017-2019 agreement. The initial goal of 15 recruitments was exceeded. Eighteen employees with disabilities joined La Banque Postale. The new agreement, signed in June 2020, put forward a new goal of 18 recruitments. Actions were carried out with our partner schools to raise awareness among students and future managers of the professional integration of disabled people and to help develop accessibility to knowledge.

La Banque Postale and Financial Services carried out some **205 initiatives** during the year support of handicapped employees.

The Diversity and Inclusion mission has also set up **awareness-raising** actions aimed at all employees of La Banque Postale to break down barriers and stereotypes linked to disability or its representation. The "Health and Disability" and "European week of the employment of disabled people" weeks in which La Banque Postale and the Financial Services are involved are dedicated to lifting these taboos. In terms of actions, the entities organise local forums with non-profits.

Communication and awareness campaigns are also useful tools for promoting diversity. For example, the HR guide on parenthood provides information on existing systems, particularly for employees who are young parents. The caregiver guide is intended for family caregivers. La Banque Postale also conducts awareness campaigns for its employees. Training courses on diversity are in the training catalogue so that everyone has a good understanding of what diversity is and its challenges.

6.2.3 Commitments to society and the regions

The commitment of La Banque Postale's employees has made it a trusted and essential player for banking services in France. It reaffirms its identity around its unique character and its values as a "bank dedicated to serving the community". Its goal is to be an engine for social and economic progress by placing itself at the inflection point between individual and collective interests.

La Banque Postale sets a benchmark in terms of accountability and commitment. A successful and robust bank, it aims to be worthy of the trust of its customers and its other stakeholders. As a bank of the real economy, firmly anchored in the heart of the regions, it is recognised as a trusted partner, involved and conscious of the economic realities experienced by its diverse customer base. Its transformation in recent years has not called into question its reliability. La Banque Postale continues to be a dependable, solid, expert partner recognised as a catalyst for a responsible economy.

In 2020, 750 business managers, working in 43 business centres (35 "Social economy enterprise" centres and eight "Local public sector" centres), a local Finance Department as well as a Major Corporate team managed the corporate business activity and provided a stable framework for its relationship model.

The resilience and the relevance of this network were tested during the "public health emergency" phases. La Banque Postale continued to support its customers, right from the first days of the crisis. The sales teams helped their customers, including remotely, thanks to several specific measures: the French State-guaranteed loan, the moratorium on loan repayments, the amounts made available for zero interest rate financing and an easily implemented remote payment solution by telephone or email. Moreover, La Banque Postale made this Scellius SMS/E-mail offer free-of-charge to merchants until 31 December 2020. La Banque Postale also requested that this service be available on the *France Relance* ("Relaunch France") platform developed by the government to enhance its visibility.

6.2.3.1 Encouraging the development of the responsible economy in all the regions

DPEF

Committed to its civic role, La Banque Postale has continued its responsible development with business customers for several years.

Building on this position, its women and men mobilised to support the regions through economic support measures taken during the public health crisis. La Banque Postale thus offered tailored financing solutions to public hospitals, regions and departments to support strongly involved players such as companies, non-profits and small municipalities. This financing ensured the continuation of their services, with the need to provide a great quantity of protective supplies (masks, disinfectants, etc.) but also to fight against their fellow citizens' isolation. In total, €5 billion was granted by La Banque Postale to local authorities and public hospitals to deal with this unprecedented crisis.

6.2.3.1.1 La Banque Postale, leading lender to public procurement players

In 2020, for the fifth year running, La Banque Postale was leading lender for the local public sector, granting €15 billion to over 2,500 regional organisations (local authorities, social housing landlords, local public enterprises and health establishments).

The leading banking lender for public hospitals and a major name in medico-social care for old age funding

As the leading banking lender for public hospitals since 2015, La Banque Postale offered its expertise to all players – public and private hospitals, cooperatives, health and medico-social management agencies, independent healthcare professionals, mutual insurance companies – to deal with the challenges arising from the public health crisis.

This year, it granted over €700 million in financing to public hospitals as well as €200 million in medium and long-term loans to public and non-profit organisations which manage health and medical-social establishments. The loans were granted to finance the construction, acquisition or renovation of institutions for the elderly and the disabled or for the acquisition of medical equipment for healthcare establishments.

Its commitment as a banker that serves the local French economy and a leader in the health and medico-social sector was reflected in 2020 in the release of an exceptional €300 million overdraft facility with a zero-interest rate on drawdowns in order to provide support to public hospitals during the public health crisis.

Moreover, the major Health and Solidarity non-profit associations also received from La Banque Postale a six-month overdraft facility, with zero interest on the drawdowns of up to €300 million. These measures enabled them to pay their suppliers more rapidly, thereby avoiding further penalties.

Supporting local authorities in their projects no matter the circumstance

Thanks to its rank as the no. 1 provider of bank financing to local authorities, for five years La Banque Postale has held a leading position with municipalities, groupings of municipalities, departments and regions.

In 2020, in addition to its traditional financing offer, La Banque Postale launched for the first time two bond issues on the primary markets for local authorities.

In response to the public health crisis, La Banque Postale released €300 million of zero-interest short-term credit to local authorities and public hospitals. It also allowed vulnerable people to exchange their *bons de secours* (rescue vouchers) for cash at 3,200 post office branches.

Lastly, La Banque Postale demonstrated its ability to innovate. It formed a specific partnership with the French department of Allier to support local authorities investing in roads or buildings. The commitments negotiated by the department with La Banque Postale are based on: a threshold for access to a financing request – on the portion of costs not otherwise covered – reduced to €28,000 (instead of the usual €40,000) and a response time frame of two business days. Accessibility and speed of response were the fundamental principles underpinning this agreement aimed at promoting the economic recovery of local construction and public works firms in the Allier department.

Supporting local authorities' "green projects" by offering them dedicated solutions and financing

Despite the public health crisis, La Banque Postale maintained its commitments to its stakeholders. Today more than ever, it remains an essential player in the financing of France's energy transition.

With its presence throughout France in both rural and urban settings, La Banque Postale contributes now more than ever to the economic development of each region and to the improvement of its inhabitants' environment. In 2020, half of the loans to municipalities of less than 5,000 inhabitants were taken out with La Banque Postale.

Highly aware of the environmental challenges facing the local authorities it serves, La Banque Postale decided, in coordination with its partner SFIL, to launch "green loans" in June 2019. They will be used to finance projects with a high environmental impact, from waste recovery to energy saving improvements for public buildings, renewable energy generation and ecological mobility (clean transport). Since 2019, €800 million worth of green loans have been granted in support of more than 100 projects. The lower minimum amount of €500,000 provides municipalities of all sizes with access to green finance that was previously reserved for major issuers on the bond markets.

Green loans are refinanced by "green bonds" issued by the SFIL group (fully public bank of which the State is the shareholder alongside Caisse des Dépôts et Consignations). This offer supports responsible financing along the entire value chain. These green issues target ethical investors who are concerned about environmental impact.

At the 13th Produrable trade fair, a European event for sustainable economy players and solutions, La Banque Postale received the Coup de Coeur award of the Grand Prix for brand social responsibility for its green loans policy.

Supporting local elected officials and regional public servants

La Banque Postale regularly provides regional elected officials and public servants with its expertise in local finances through publications and conferences. In 2020, 13 studies were published, resulting in 33 conferences and video conferences. Two thousand local elected officials and regional public servants took part.

Moreover, in the aftermath of the municipal elections, La Banque Postale conducted 24 training courses on preparing a municipal budget and local finances as part of the "2020 Mayor Universities" organised by the departmental associations of mayors. Due to the public health crisis, the scheduling of these Universities was shifted and will continue until March 2021 through some 15 additional sessions.

In 2020, La Banque Postale continued to provide this training while complying with public health recommendations. It innovated by adopting an online interactive webinar format. This innovation optimised speakers' and guests' time management, and benefited those interested in replaying the presentations later on.

At another level, La Banque Postale supported French civic life and the electoral process by digitalising the opening of electoral campaign bank accounts via a tool provided to the candidates on La Banque Postale's website. The opening of these accounts was thus facilitated, as with the processing of the applications and management of the accounts, thanks to a single centre operating in each region. In this way, La Banque Postale supported the democratic electoral process through more efficient bookkeeping of its candidates.

Working to support regional social care

La Banque Postale supports social care via its subsidiary Domiserve in three areas: financing (issue of pre-paid Cesus, a way of paying for personal services), managing rescue plans and arranging personal services.

In 2020, Domiserve strengthened its leading position for Cesu Social through its partnerships with 17 departmental and municipal councils, for which it manages the systems for paying the *Allocation Personnalisée d'Autonomie* (APA) and the *Prestation de Compensation du Handicap* (PCH).

Moreover, the 2020 public health crisis highlighted the "social" utility of Domiserve through:

- the digitalisation of the payments by Cesu (*Chèque Emploi Service Universel*, Universal Service Employment Voucher) of the APA (Personal Autonomy Allowance) and the PCH (Disability Compensation Benefit). Specifically, during the lockdown Domiserve worked closely with its customers (departmental and municipal councils) to develop the electronic Cesu account. This electronic account offers many advantages for the beneficiary, particularly by eliminating the risks associated with Cesu paper chequebooks (misuse, delivery delay); and
- the emergency creation of a new service thanks to its network of providers of personal services: "shopping help", one of the key factors for maintaining social ties.

These innovations helped maintain social ties by providing seamless payment of home caregivers without health risk as well as access to food purchases and deliveries.

As for the personal services business, 700,000 calls were handled and nearly 100,000 services were provided in 2020, and the NF 345 quality standard was renewed after a detailed audit.

Moreover, Domiserve continued its digital modernisation through two major projects:

- development of its internet platform in order to make its three spaces (beneficiaries, service providers, funders) more accessible and ergonomic;
- the creation of a new service: DOMISERVE+. This solution improves the reliability of the beneficiary/employer's social reporting forms (in order to avoid undeclared work hours) and withholds the tax due when paying the service provider. Faithful to La Banque Postale Group's values of "offering responsible services at a reasonable rate", Domiserve is the only issuer to offer this innovative solution – and free-of-charge.

Lastly, Domiserve increased its workforce by one third (i.e., 36 recruitments in 2020), thereby contributing to its region's economic vitality.

A long-standing partner of social housing associations

La Banque Postale is the banking partner for 70% of subsidised housing operators, representing 90% of the social housing in the country (4.6 million homes). La Banque Postale strengthened its position in 2020 by increasing the volume of short- and long-term loans provided to landlords by 10% for a total of €8 billion, with *Livret A* assets reaching €3.3 billion.

La Banque Postale continues to support its landlord customers in the development of social housing and the renovation and refurbishing of buildings. Aware of the climate challenges, in 2019 La Banque Postale set up an energy efficiency diagnostic service for buildings. In 2020, La Banque Postale launched a green loan offer accessible to social landlords. This type of financing makes it possible to "detect" responsible projects in terms of the energy transition and refinance them through green bonds.

As a bank dedicated to serving the community, La Banque Postale makes its regional network available to landlords. Thanks to its network of post office branches spanning the entire country, certain economically vulnerable groups can pay their rent in cash. Moreover, La Banque Postale helps modest income families become owners of their own home through social home ownership loans.

6.2.3.1.2 Long-standing partner of large companies and major institutions

La Banque Postale offers its "major corporate" customers a variety of services in line with the economic, social and environmental changes affecting our regions. Thus, in addition to traditional bill payment methods (direct debit, bank card, cheque), energy companies can use several other services at La Banque Postale. They can make their payments in cash in the post office branches. The "Energy Cheques" service also enables them to delegate to La Banque Postale all administrative tasks related to depositing these cheques.

La Banque Postale offers (via its subsidiary Domiserve) pre-paid Cesus whereby these large companies can help employees reduce the cost of personal services (childcare, home help etc.). La Banque Postale Group is thus helping to increase home employment and make it more accessible across the country.

The leading bank of welfare institutions, La Banque Postale handles the payment of half of all second-tier (compulsory) pensions in France. Moreover, with 50% of the CAC 40 companies and 53% of the SBF 120 as customers, La Banque Postale continues to enhance its appeal to a great number of private sector players. In this way, La Banque Postale played an important role in supporting major corporations during the public health crisis. It also carried out its first bond issue on the primary markets for one of its major accounts.

La Banque Postale significantly increased its credit to large businesses in 2020, granting over €4 billion in additional financing, working credit, purchase credits, asset financing and project financing. Committed to supporting the energy transition policy in France, it plays a leading role in the financing of renewable energy. It also participated in the growing market for loans with positive impact, with more than €770 million in loans granted since 2018 to its Major Corporate customers.

6.2.3.1.3 La Banque Postale finances enterprise, entrepreneurs and non-profits

Marked by the public health crisis, 2020 provided la Banque Postale with opportunities to demonstrate its know-how and its support for companies regardless of their size and their regional presence.

From the first days of the lockdown in March 2020, La Banque Postale contacted its customers in order to reassure their management, while awaiting the decrees on measures from the French government.

La Banque Postale then implemented, when their customers requested it, the measures in support of companies: the French State Guaranteed Plan in its standard version and an interest moratorium in its "tourism" version. For merchants, La Banque Postale raised the contact-less payment limit for bank cards to €50.

In addition to these government measures, La Banque Postale also offered factoring (developed by its subsidiary La Banque Postale Leasing & Factoring), an alternative solution that "eases" companies' cash flow within an accelerated time frame of 48 hours (upon receipt of the ceded receivables).

Financing the growth of small and medium-sized enterprises and intermediate-sized enterprises (ETI)

Thanks to its extensive sales network and expert knowledge, La Banque Postale continued to support the economic growth of SMEs and mid-size companies every day in 2020. Its credit exposure rose by 22%. La Banque Postale has a 10% share of the mid-size market.

In addition, with its awareness of the need for climate action, La Banque Postale supports environmental transition projects undertaken by these enterprises. In late 2020, La Banque Postale launched its green loan offer for private sector companies. The green loan provides medium- and long-term financing serving an environmental purpose that may take several forms: renewable energy, water and waste management, soft mobility and clean transport or energy efficiency of buildings, information and telecommunications. La Banque Postale thus helps develop more responsible financing by targeting ethical investors who are concerned by the environmental impact of their investment choices.

Supporting craftspeople, merchants and independent professionals

With its values of local presence and accessibility, La Banque Postale has counted on the quality of its services and the expertise of its employees to support professionals during the public health crisis. Its physical network model, with 425 Pro account managers working from post office branches and serving as a relay to remote services, demonstrated its effectiveness in reassuring, advising and fulfilling governmental measures and its own solutions.

During this troubled period, the *e-crédit pro* (remotely accessible) platform provided the post office branches (which are essentially generalist) with complementary resources. Its specialisation in issues faced by professionals offered valuable assistance to entrepreneurs, particularly in regions lacking Pro account managers.

During the autumn 2020 lockdown, in addition to government measures (state guaranteed loans, moratoriums), La Banque Postale offered merchants whose shops were closed to continue their activities via the "Scellius SMS/E-mail" solution. This offer, perfectly adapted to "click and collect", enabled remote payment by bank card. In total security, the products ordered are paid by the merchant simply sending an SMS or an email (with a clickable payment link). Following a proposal by La Banque Postale, this solution is available on the "France Relance" (French Recovery) platform developed by the French State. La Banque Postale made the service free of charge through the end of 2020.

Furthermore, in order to prepare for the reopening of shops, La Banque Postale offered merchants an effective form of support: an innovative crowdfunding campaign (expressed in pre-sales). 425 Pro account managers were trained to offer this service to merchants in their catchment area.

KissKissBankBank and Co, a subsidiary of La Banque Postale specialised in crowdfunding, trained and helped the Pro account managers with the distribution of the funds collected on the platform.

Lastly, La Banque Postale drafted two guides: the "merchant" guide covering the modernisation of points of sale and the "independent professionals" guide dedicated to their set-up. These two guides are accessible free-of-charge on La Banque Postale's website.

Supporting the actions of non-profits

The social and solidarity economy, like La Banque Postale, creates business, jobs, social ties – and it does this throughout the country. The long-standing relationship between these two players is based on their strong community of values.

La Banque Postale is a legitimate partner of the social and solidarity-based economy. One out of every four non-profit associations is a customer of La Banque Postale. The specialist advisors at its business centres support the 5,000 biggest associations (foundations, education, charities, NGOs), whilst smaller associations can visit branches or call Agence Pro.

The non-profit world has also suffered from the public health crisis. In order to support it, La Banque Postale provided the major health and solidarity non-profits with a six-month overdraft facility, with zero interest on drawdowns, up to an overall limit of €300 million.

La Banque Postale maintains lasting, trust-based relationships with the major French charities (Secours populaire, Secours catholique, Emmaüs, Restos du cœur, AFM, etc.). Thanks to its special relationship, La Banque Postale is close to the assistance systems which benefit citizens.

Thanks to its regional network and its subsidiary Goodeed, La Banque Postale helps non-profit associations in fundraising for their charitable and humanitarian causes (Pièces jaunes, Téléthon etc.).

In 2020, La Banque Postale presented a cheque for €468,702 to AFM-Téléthon, the amount it had raised from retail customers over the course of the campaign that begun in late 2019. For the 2020 event, greatly impacted by the public health crisis, La Banque Postale, spurred by its values of solidarity and being a financial partner of the major non-profit associations, decided to bolster its support measures. The call for donations from its retail customers benefited from three weeks of visibility (compared to two the previous year). Two e-mail campaigns (versus one in 2019) were organised. In addition, La Banque Postale decided to broaden its call for donations to include businesses – and did so for four weeks.

Lastly, on the symbolic tenth anniversary of the "Visa business" bank card, La Banque Postale decided to bolster its actions in support of professional microcredit in France. It thus joined with the Adie Fund (for grassroots entrepreneurship) through two actions: a contribution of €10,000 for digital support tools for micro-entrepreneurs, to which was added €0.05 per transaction made by a Visa business bank card through a contactless payment for amounts between €30 and €50 between 1 September 2020 and 31 December 2020.

6.2.3.1.4 A commitment to crowdfunding

La Banque Postale also supports the collaborative economy, especially crowdlending.

In July 2017, La Banque Postale took over **KissKissBankBank & Co** in a 100% buyout, and now owns the **KissKissBankBank** platform which receives donations and pre-orders for entrepreneurial, non-profit and creative projects, as well as **Lendopolis,** a crowdlending platform specialised in renewable energies and real estate.

In March 2018, Goodeed, a platform for free donations that enables internet users to financially support solidarity-based projects while watching an advertisement, joined the KissKissBankBank & Co group.

In July 2020, microDON also became a partner.

This solidarity-based organisation offers innovative solutions for facilitating commitments to serve the general interest. It developed L'ARRONDI and *Plateforme de l'Engagement en entreprise*. These acquisitions are in line with La Banque Postale's digital development strategy and its wish to offer community-minded products and services that meet the new expectations of its customers.

KissKissBankBank & Co remains true to its three fundamental values: civic responsibility, optimism and independence. Each day, their teams help dozens of creators, entrepreneurs and non-profits to succeed in their campaigns and projects. **In 2020, the four campaigns collected more than €54 million to benefit community projects, 10% more than in 2019.**

Since then, these platforms' offers have been gradually rolled out within La Banque Postale.

KissKissBankBank & CO organised nearly 100 KissKissDatings events in 18 months across France to "democratise" this new form of funding locally. Over 1,000 people took part in these conferences. In parallel, training programmes are being set up to train financial advisors in KissKissBankBank & Co offers. More than 100 post office branches have also been "accredited" to KissKissBankBank & Co in different urban areas, thereby contributing to the democratisation of crowdfunding. In total, KissKissBankBank has collected over €114 million since it was created for funding over 23,000 projects, thanks to over two million committed citizens.

La Banque Postale has supported over 140 of these projects via its monthly "Coup de Coeur" operation which aims to fund 50% of the funding objective, with the projects voted for by the public via the bank's Facebook page.

Lendopolis continued its development in the renewable energy sector in 2020. This crowdlending platform collected nearly €30 million in 2020, mainly for funding energy transition projects in France. It has become one of the market leaders in crowdlending for renewable energy projects. Lendopolis extended its offer to BPE customers in May 2018 and then to asset management customers of La Banque Postale in 2019 with some success.

Goodeed, which is in the process of obtaining Bcorp certification, has already financed more than 300 projects in France and abroad. In 2020, the start-up raised nearly €2 million to support the projects of its 200 non-profit and NGO partners.

Lastly, microDON, an ESUS (Solidarity-based Enterprise of Social Value)-approved and Bcorp certified social enterprise, has collected over €23 million since 2009, which went entirely to 1,300 non-profit associations of general interest. Moreover, through the *Plateforme de l'Engagement* (Commitment Platform), thousands of employees donate their time for solidarity-based projects.

In 2020, La Banque Postale supported the KissKissBankBank "**Stronger Together**" programme which collected more than €1.6 million for 190 solidarity-based projects in France during the public health crisis.

In addition, as part of the fourth community banking and insurance symposium (*Assises de la Banque et de l'Assurance citoyennes*) held in September 2020, La Banque Postale issued a call for ***"Demain & Citoyen"*** solidarity-based projects. More than 170 project proposals were received in support of projects with an entrepreneurial, non-profit, micro-entrepreneurial or international solidarity-based purpose. The call for ***"Atout Citoyen"*** **projects issued in November 2020** also supported projects aimed at the disabled and intergenerational solidarity. These two calls for original projects, led and administrated by KissKissBankBank & Co, resulted in crowdfunding campaigns.

La Banque Postale also gave its support to the first round of the **Game Cup**, France's award for independent video games, initiated by KissKissBankBank & Co.

Lastly, La Banque Postale continued to support Social Cup, **France's award** for young social entrepreneurs created with KissKissBankBank and MakeSense, and supported by GRDF (a French natural gas distributor) for the past two years and the GRDF Foundation since 2020. The seventh edition of the event saw nearly 3,000 students compete in the 12 participating cities, suggesting nearly 200 innovative social-enterprise projects. The 12 finalist projects received a financial endowment from La Banque Postale for their first crowdfunding campaign launched on the KissKissBankBank platform. La Banque Postale encourages entrepreneurial spirit and the growth of the collaborative economy.

6.2.3.2 A committed procurement policy for suppliers DPEF

La Banque Postale has a three-pronged responsible **purchasing policy** that it introduced in 2009:

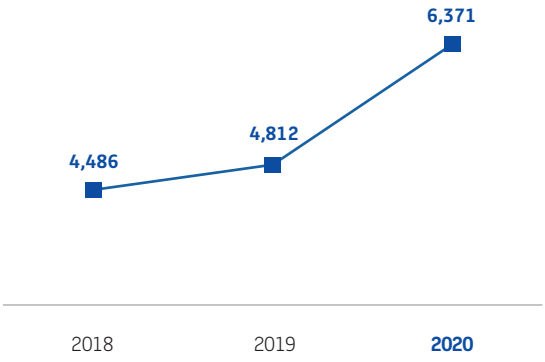
- a Responsible Purchasing Charter for suppliers;
- making La Banque Postale's calls to tender accessible to small and medium-sized enterprises;
- including non-financial criteria into the supplier selection and monitoring process.

6.2.3.2.1 Responsible Purchasing Charter

La Banque Postale's Responsible Purchasing Charter must be accepted by the supplier every time a new contract is signed or, for existing contracts, after each Steering Committee meeting. It raises the awareness of La Banque Postale's suppliers about its CSR policy. Suppliers agree to comply with current regulations, which are formally presented in the charter. The document encourages them to initiate their own CSR approach. Implemented in June 2009 and first updated in 2014, the charter was again updated in 2018 and rolled out in 2019.

The charter is one of the factors enabling La Banque Postale to respect its due diligence obligations with respect to the companies that make up its value chain. In signing this charter, the supplier undertakes to:

- comply with the 10 principles of the **Global Compact** and the eight Fundamental Conventions of the **ILO** (International Labour Organization);
- develop within their company a management system and working conditions respectful **of human dignity and workers' rights;**
- **comply with social and environmental regulations** by establishing practices (transport policy, recyclability criteria, end waste management, etc.) for themselves and their subcontractors.



Le Groupe La Poste implemented a new IT system for Group purchases in 2018. It includes a shared supplier base, and is linked to the legal documents and Responsible Purchasing Charters via Provigis. This approach required a review of all information, and all suppliers of Le Groupe La Poste (irrespective of whether they are La Banque Postale suppliers) were asked to approve the charters of La Poste and La Banque Postale.

As a result, the number of suppliers that has approved La Banque Postale's Responsible Purchasing Charter increased significantly from 2017 to 2018, from 434 to 4,486. In 2020, the number of signed Responsible Purchasing Charters rose significantly to 6,371.

6.2.3.2.2 Non-financial criteria for assessing risk and selecting and monitoring suppliers

Every La Banque Postale purchaser must ensure that **social, societal and environmental criteria** relating to the service being purchased are included in the consultation requirements and during the supplier selection process.

There is also ongoing discussion with specifiers to improve supplier specifications and ensure that services are in line with the CSR policy of La Banque Postale.

Depending on the purchasing category, environmental and social concerns represent in general **10% of the global weighting** when assessing tenders.

The CSR unit, in collaboration with the Purchasing Department, has created a package of **tools to raise awareness of and promote discussion** on the challenges, risks and opportunities of deploying a responsible purchasing approach. The package includes an analysis guide for CSR issues, risks and opportunities in relation to purchasing; a CSR form for each purchasing category; an information poster and an intranet section on responsible purchasing.

This **grid** provides suggestions on ways of mitigating legal, social, environmental and societal risks, and also to improve the positive impact of the purchase on various levels:

- **social**, e.g., the inclusion of employees with disabilities by taking into account accessibility criteria when purchasing an IT tool;
- **societal**, such as a purchase from the social and solidarity-based economy in order to contribute to regional development;
- **environmental** promoting the improvement of quality of life at work. For example, buying a partition to reduce air pollution or using an electric vehicle for mail shuttles between locations;

- **economic**, e.g., the possibility of developing a competitive advantage for a La Poste product or service through an evaluation of the suppliers' variants.

In order to meet the regulatory obligations of the Sapin II law and the law on the duty of vigilance, La Banque Postale has implemented a number of elements which are described in the following paragraphs.

In 2018, the La Banque Postale Purchasing Department took part in a study with other banks to define a **CSR risk map** by sector and by supplier country. This solution, now available from La Banque Postale, allows the Purchasing Department to view a "CSR risk" score for each of its suppliers, by sector and country. The country risk for La Banque Postale is low because all our suppliers are based in low-risk countries. The riskiest segments for La Banque Postale concern waste processing and works.

In addition to this tool, a solution named ACESIA was implemented by Le Groupe La Poste to enable suppliers to conduct self-assessments, particularly of their CSR policy. These **self-assessments** may be accompanied by a **document audit** or even a **site audit** by an external auditor.

A global discussion is under way at the level of Le Groupe La Poste and its subsidiaries on setting up a process and a common tool to meet the obligations to assess third-party suppliers in accordance with the French Sapin II law and the law on the Duty of Vigilance.

Lastly, La Banque Postale has added, in all the contracts signed with its suppliers and service providers since September 2020, a section that refers to the obligation to comply with all laws, regulations and international standards related to breach of integrity and respect for fundamental rights.

6.2.3.2.3 Tenders open to the protected sector and SMEs

Contributing to the indirect employment of disabled people

La Banque Postale's gross purchases from the **disabled and protected employment sector** (EA and ESAT) totalled €629,288, including VAT, at 31 December 2020. The overall decrease in purchases (down 11%) and the discontinuation of the transport service replaced by softer transport (inter-site shuttles replaced by electric bicycles or public transport) explains this decrease in relation to the disabled and protected sector.

The Purchasing Department, with the support of specifiers, is engaged in a constructive and continuing process to identify new services from the disabled and protected employment sector that can be put to tender. Services such as printing, intersite shuttles or catering or the use of translation services are in part reserved for this sector, and competitive bidding reserved for the ordinary sector.

Purchases from small and medium-sized enterprises is constantly increasing

In order to allow small and medium-sized companies to participate in calls for tenders, La Banque Postale is careful to:

- reduce the risk of financial dependency by measuring dependency rates;
- subdivide calls for tenders so that micro and small and medium-sized businesses in very specialised sectors can tender directly and not as co-contractors or subcontractors.

The volume of purchases made by La Banque Postale from **SMEs** was nearly €122 million, before VAT, at 31 December 2020.

A study carried out from 2018 with Le Groupe La Poste's Societal Commitment Department and an independent firm showed the **employment impact** of La Banque Postale's purchases. The study reveals that through its purchasing, La Banque Postale supported over 26,130 jobs in 2019, i.e., 5.3% more than in 2018.

6.2.3.3. Supporting employees' civic commitment

DPEF

6.2.3.3.1. L'Envol, La Banque Postale's campus

La Banque Postale is committed to **societal sponsorship** to prepare for the future through **equal opportunities**. In 2012, it therefore created an association under law 1901: "L'Envol, La Banque Postale's campus". This association embodies both the bank's values and those of Le Groupe La Poste and actively involves its employees by encouraging their **civic commitment**.

Since launch, this initiative has been supported by the Ministry of National Education, which renewed its partnership in June 2019. Its goal is to **promote the schooling of young, talented students** from low income families around France (rural and urban), including the overseas departments. It provides individual assistance, from the time they start high school until they enter higher general, technology or professional education (skilled trades) and/or they start to work.

To assist students to receive a diverse education and excellent training, L'Envol runs two programmes for pupils and students: the "general and technology" and the "career path" programmes which have common objectives but are tailored to the specific nature of the course:

- the **"general and technology" programme**, which started in 2012, sponsors 60 pupils each year from high school (third to last year students) through to graduate level (with three years of graduate studies on average), in partnership with the charity Article 1;
- each year the **"career path" programme**, launched in 2015, sponsors a class of 45 students who have chosen to specialise in vocational sectors (catering, metalworking, art and fashion), from the final year of secondary school to university graduation, in partnership with the association *Réussir Moi Aussi*.

The sponsorship programme strives to be complete and consistent in order to develop talent in all its forms, foster **diversity in superior educational/career pathways** and contribute greater social openness. To accomplish this, it helps young people explore six dimensions: their relationship with their studies, with the future, with other people, with themselves, with the world, and with commitment.

Since it was created, **L'Envol has sponsored 783 students**, i.e., nine "general and technology" classes and six "career path" classes.

All La Banque Postale and Le Groupe La Poste employees can volunteer for the **mentors' community**. From 2012 to 2020, **1,005 employees** from La Banque Postale and Le Groupe La Poste volunteered for mentoring. Since 2017, new mentors participate in a day of training under the training plan before being allocated to mentor a young person. In the specific context of 2020, only 49 mentors were trained, nine of whom by means of "MOOC", **online training open to everyone** and specially designed for L'Envol. In 2020, in view of the public health crisis, the mentors' involvement was reduced and amounted to **nearly 4,000 hours of volunteer work**.

The public health situation and the periods of lockdown deepened the social and scholastic inequalities of young people from modest backgrounds. For this reason L'Envol made a commitment to be closer to the programme's young people and, during the first lockdown, set up the #envoléconfiné programme. 44 mentors

came together to organise debates around current events, create cultural kits, lead workshops for managing stress or to maintain contact with/listen to some young people.

Regional mentors, currently 26 in number, have continued to pass on the work of L'Envol and support the community of mentors in each territory.

Over the 2019-20 academic year, L'Envol provided **563 hours of English and general culture training in a virtual classroom** for small groups, and **2,035 hours of school support**, down 40% on the previous year **(41 young people in the general stream and 26 in the career stream benefited)**. This decrease is related to the lockdown, during which young people were able to rely on alternatives, particularly the support classes provided by Article 1 voluntary students (#reussitevirale). Secondary school students wishing to study medicine or prepare for the competitive exam for Sciences Po and other top French business and engineering schools participated in 20 intensive courses. Five baccalaureate revision courses were also held.

Moreover, as preparing a student budget is essential, L'Envol offers financial workshops and individualised financial and equipment support. In 2020, 154 young people benefited from this programme for an amount equivalent to €95,000, a significant increase from the previous year.

To encourage promotion, **each year L'Envol organises 10 major gatherings** directed at students based on their year of study. Due to the public health situation, these events did not take place. However, L'Envol offered digital solutions via six virtual visits in August and October 2020. The result was satisfactory despite inequalities among students in digital access. All these actions encourage the students to succeed. The rate of success in the general baccalaureate school leaving exam is 100%, of which 88% with distinction (compared to 63.5% nationally). The rate of success for the vocational baccalaureate school leaving exam is also 100%, of which 96% with distinction (compared to 58.2% nationally).

As a token of appreciation, solidarity and mutual aid, the students that have come to the end of their mentor programme have created an alumni association called "**L'Envol Alumni**". They regularly attend the gatherings in turn as facilitators for younger people.

Lastly, L'Envol has won many prizes since its launch, including the *Trophée France Mécénova*, the Cachet d'Europe and the *Trophée National de l'Entreprise Citoyenne*. These awards celebrate the association's actions.

6.2.3.3.2 Promoting societal commitment

The **skills volunteering** programme initiated by La Banque Postale and La Poste's Distribution Network in 2017 is now coordinated by the latter. La Poste's Distribution Network continues to develop its actions promoting commitment to society.

In 2020, the specific partnerships of La Poste's Distribution Network were strengthened despite the Covid crisis forcing all contact to take place remotely. Our active partners are Passerelles & Compétences, Unis-cité, ANDML (*Association nationale des missions locales*), *Entreprendre Pour Apprendre*, *La Finance Pour Tous*, l'ADIE and Face.

Lastly, the employees of La Banque Postale, Financial Services and La Poste's Distribution Network are committed to supporting vulnerable customer groups, solidarity, education, the environment and health. They are also involved in the skills sponsorship programme "L'Envol, La Banque Postale's campus" which acts in support of inclusion and equal opportunity, by promoting the scholastic career of talented young students from modest backgrounds.

6.2.3.4 Respecting and defending major international commitments

As a subsidiary of Le Groupe La Poste, which has been a signatory to the **UN Global Compact** since 2003, La Banque Postale upholds the principles set forth by the Global Compact regarding human rights, labour standards, environmental protection and the fight against corruption.

In France, the employee training sessions on business ethics cover the **fight against corruption** (see "*Management of Non-Financial Risks*"). In addition, La Banque Postale ensures that its suppliers share its values by having them sign a Responsible Purchasing Charter, underlining the importance of respect for Human Rights, Labour Standards and the Environment. In 2020, La Banque Postale, together with Le Groupe La Poste, completed its risk map and research for the Group Vigilance Plan, in order to ensure compliance with the **Duty of Vigilance for Parent and Initiating Companies Act** (see "*A committed procurement policy for suppliers*").

As proof of its commitment, in its 2017 survey on business and human rights, the ratings agency Vigeo Eiris ranked La Banque Postale first among French banks and third among French companies, all industries combined.

6.2.4 Commitments to the planet

In terms of its environmental policy, La Banque Postale implements simple, concrete, consistent measures which contribute to the protection of the environment. With this policy, its goal is to reduce the direct environmental impact of its employees' travel and its IT systems, and to limit the indirect emissions linked to its products. It also works to foster a circular economy for its resources and to control its water consumption. Exernally, it takes part in promoting biodiversity by supporting, for example, deforestation preventive actions which contribute to the protection of indigenous flora and fauna. "Commitments to the Planet" indicators can be found in the CSR indicator section.

6.2.4.1 La Banque Postale is committed to fighting climate change

DPEF

As part of its environmental policy, La Banque Postale is committed to managing and reducing its direct and indirect impact on the environment. After a first goal surpassed in 2019, one year in advance of the target date, of reducing its greenhouse gas (GHG) emissions by 20% compared to 2013, La Banque Postale continued its efforts in 2020. A 32% reduction was achieved in the 2013-2020 period if the home-work and the data centres' emissions are included, and 56% if they are excluded. La Banque Postale announced in September 2020 its goal to achieve net-zero emissions by 2040 in order to contribute actively to the fight against climate change. It hopes to achieve this goal by targeting its main sources of emissions: buildings and information systems (IT), employee travel and paper consumption. It also undertook a new discussion about emissions related to its entire banking scope.

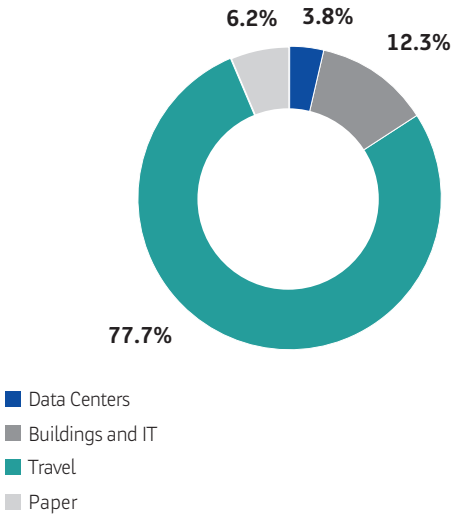
In order to arm itself with the necessary resources, La Banque Postale is participating in the rollout of the **Energy Management System** (EMS) initiated in 2016 by Le Groupe La Poste. An ISO 50001 certified EMS will be introduced at the start of 2020 and will form the basis for the coherent convergence of all the Group's energy transition actions. The "Sustainable Development and Energy Management" days organised by the La Poste Group provided an opportunity to introduce the EMS to all employees. This initiative illustrates La Banque Postale's structural commitment to the energy transition. All of La Banque Postale's sites are involved in the deployment of this EMS.

To ensure that La Banque Postale's emissions reduction target is relevant and aligned with the ambitions of the Paris Climate Agreement signed during the COP 21, La Banque Postale signed up to the **"Science Based Target" (SBT)** initiative in 2017. The SBT initiative aims to establish the guidelines for the financial sector and to define a trajectory compatible with a scenario of +1.5°C by 2100. La Banque Postale was involved in all the preliminary phases, coordinated by the WWF, the co-founder of the SBT, and led by the secretariat of the SBT. After publication of the methodologies that have applied to the sector since October 2020, 2021 will be devoted to their implementation within the organisation.

6.2.4.1.1 Reduce La Banque Postale's direct carbon footprint

Aware of its impact, La Banque Postale intends to reduce its direct greenhouse gas emissions from buildings, IT systems, employee travel (business and commuting), and paper consumption. In 2020, the carbon footprint of its main emission sources was 62,283 tonnes of CO_2, compared to 69,878 in 2019[1]. La Banque Postale continued to reduce its overall carbon footprint (down 11%), notably thanks to a decrease in the electricity consumption of its buildings (down 7%) and vehicle fuel consumption (down 6%). Emissions linked to its employees' business travel declined sharply, with train travel down 62% and plane travel down 53% due to the public health restrictions in 2020.

WEIGHT OF FOUR MAIN SOURCES OF EMISSIONS IN LA BANQUE POSTALE'S CARBON FOOTPRINT (EXCLUDING LCB)



6.2.4.1.2 A Carbon Fund to reduce its environmental footprint

La Banque Postale launched its first "Carbon Fund" in 2015 to take concrete action to mitigate its greenhouse gas emissions. This is an **internal mechanism that monetises La Banque Postale's carbon footprint**. A total budget of nearly €2.19 million for the first six rounds made it possible to finance three types of projects. **Internally**, it aims to reduce the La Banque Postale's GHG emissions. **Externally**, it aims to offset the balance of remaining emissions at the *national* or the *international* level. This budget is calculated on the basis of tonnes of equivalent CO_2 from GHG emissions generated by La Banque Postale's three main emission sources – transport (business travel & home/work commute), buildings & IT and paper consumption (internal and external).

(1) These data include Banking Advice Line emissions, taking into account the purchase of electricity of 100% renewable origin, and exclude CNP's emissions.

Financing for internal projects developed by employees

Calls for tenders are launched every year for **internal projects**, with winners selected on the basis of several criteria including economic profitability and the potential reduction in carbon emissions. The 64 projects which have already been financed by six tenders since 2015 directly contributed to achieving La Banque Postale's goal of reducing its greenhouse gas emissions by 20% by 2020. Examples are the work to renovate and improve the energy efficiency of buildings, campaigns to raise awareness of sustainable development in partnership with NGOs and non-profits, the setting up of fleets of electric bicycles and scooters, etc. Innovative pilot projects were also financed, including the installation of a solar water heater, an energy recovery unit for a refrigeration system and solar panels to supply some of a building's electricity, planting a green roof for a company canteen and a ride-sharing platform for employees who commute. Since the launch of the Carbon Fund in 2015, all of the projects financed eliminated more than 3,500 tonnes of CO_2 emissions at 2020.

Financing for external national low-carbon projects

La Banque Postale, one of the first banks to have set up a Carbon Fund, is also the only one to date to have included financing for **external environmental projects** in France. Since 2015, it has funded, along with the Mail-Parcels-Services (*Service-Courrier-Colis*) Branch of Le Groupe La Poste, some 20 innovative pilot projects as part of the "Climat + Territoires"[1] programme in France.

Under this programme, La Banque Postale and the BSCC have since 2015 funded four forest projects for forestation, reforestation and coppicing in the Massif Central region, in partnership with the Massif Central public interest group and the CNPF (National Forestry Centre). Of these four projects, three received the **Bas Carbone**[2] label in November 2019 and January 2020 for a 30-year period; the fourth project should receive the label soon. Once the site and document audits are completed, these pilot projects will be the first in France to generate carbon credits and should cut greenhouse gas emissions by over 3,000 tonnes of CO_2. In this way, La Banque Postale is helping to introduce local sustainable forestry management and new practices, which create jobs and protect biodiversity.

In 2016, La Banque Postale also financed the "Agr'eau" agro-ecology programme[3] run by the *Association française d'agro-foresterie* (French Agro-Forestry Association) in the Adour-Garonne basin and in 2017, the *Ferme laitière bas-carbone*[4] (Low Carbon Dairy Farming) programme in partnership with the *Centre national interprofessionnel de l'économie laitière* (National Inter-Professional Centre for the Dairy Sector) in the Grand Ouest and Grand Est regions. La Poste's Distribution Network adopted this same approach in 2017 by financing a forestry project of the ONF (the National Forestry Office) in the Hauts-de-France region. In 2018, La Banque Postale decided to support the Carbocage project which hopes to measure the storage potential of sustainably managed hedges in Pays de la Loire and Brittany, and experiment with a local carbon market. In 2019, La Banque Postale helped finance a forestation project in Vaucluse designed in particular to reduce the risk of fires in the Luberon Regional Park. For 2020, La Banque Postale decided to support, over several years, the Carbocage project whose replanting of hedges increases the natural storage of carbon in agricultural soils. This approach brings many co-benefits – positive impacts on biodiversity & water quality, the fight against soil erosion, enrichment of the soil with nitrogen – and contributes to the process of obtaining the **Low Carbon** label that is currently in progress.

Financing external international projects for La Banque Postale's complete carbon neutrality

Since 2018, the Carbon Fund has also financed two **carbon offsetting projects** in line with international certification standards including the "**Verified Carbon Standard**". The first project, *Madre de Dios*, is intended to preserve the biodiversity and more specifically the natural habitats of plant and animal species of the Amazon forest by preventing deforestation and raising awareness of sustainable forestry in Peru. The second one, called *Gandhi*, aims to develop wind energy to improve the energy mix and air quality in India, a country where three quarters of energy production comes from coal-fired power stations.

In 2018, La Banque Postale reached another milestone in its policy to combat climate change by becoming **one of the very first banks in the world to announce that it was fully carbon neutral** across its operational scope, including its subsidiaries and taking into account employee business travel and commutes.

A positive outcome leading to a sixth Carbon Fund

Building on the success of this initiative, La Banque Postale is currently rolling out the sixth round for all employees. Since the launch of the fund in 2015, the **increase in the social cost of carbon from €7 to €10.50 per tonne** has made it possible to use the same financial package, despite the decrease in emissions by La Banque Postale. In addition, the La Poste Network joined La Banque Postale in this approach in 2017. This new Fund promotes projects that foster energy efficiency at post offices where around 50% of activities are dedicated to La Banque Postale's business lines. This commitment allows La Banque Postale to offer an effective mechanism to promote the reduction of its environmental footprint across the whole of its banking, financial services, subsidiaries and Banking Advice Line activities.

(1) The purpose of the "Climat + Territoires" programme is to support innovative socio-environmental projects in France, with a threefold objective: improve local environmental performance, encourage adaptation to climate change, and create value in the French regions.

(2) Created by the Ministry for the Environmental and Solidarity Transition, the "Bas Carbone" (low carbon) label is a national voluntary carbon certification scheme in line with the government's goal of making France carbon neutral by 2050. The idea is to support the ecological transition at local level by offering financing opportunities to local projects designed to reduce emissions. Le Groupe La Poste's support for these projects in France was a key factor in the creation of this label, available since April 2019.

(3) This project aims to increase plant coverage using agroforestry techniques. This type of farming, which promotes water-efficiency and soil regeneration and creates jobs, is used by 150 farms invested in the project and promoted by 25 partner structures.

(4) In use at 20 farms, this project supports agricultural practices that help reduce greenhouse gas emissions and increase carbon storage.

6.2.4.1.3 An energy performance policy for its buildings

In 2020, the share of greenhouse emissions related to building energy consumption accounted for just over a quarter (26%) of La Banque Postale's total carbon footprint. La Banque Postale and its main landlord, Poste Immo, are committed to various structuring actions and real estate projects which concretely reflect the **building energy performance** policy. The policy, overseen by La Banque Postale's Real Estate Department has three main thrusts:

1. Promoting energy-saving renovations:

La Banque Postale's Real Estate Department orders, on a regular basis, thermal insulation work for its premises, roof repairs, regulation of heating systems, the replacement of obsolete climate control systems and of boilers and the installation of LED lighting with movement detectors in communal areas.

For its real estate assets, the multi-year programming of work is carried out by the Poste Immo teams who implement the recommendations of its sustainable real estate policy.

La Banque Postale has also been able to identify actions for reducing energy consumption that will strengthen its 2016-2022 energy performance policy thanks to the implementation of an **Energy Management System** (EMS).

2. Optimise the energy efficiency of real assets on a daily basis:

"Buy better"

Since 1 October 2015, La Banque Postale has bought **electricity from 100% renewable sources** to power all of its major sites (over 36 KVA of power) representing more than 99% of its total energy consumption. This exemplary decision is consistent with Le Groupe La Poste's support of the **RE100 Initiative** which commits it to using 100% renewable electricity to power its entire property portfolio managed by Poste Immo.

To improve the traceability of the renewable electricity consumed and to partially manage the risk related to the volatility of the electricity market, Post Immo studied in 2019 and 2020 the issues related to energy self-consumption and the Green Corporate Power Purchase Agreement.

Several sites experimented with self-consumption in order to technically but also contractually put in place the means for solar power production. This is the case, for example, at the Nantes Hotel des Postes site.

The Green Corporate Power Production Agreement not only aims to secure a portion of electricity costs and improve the traceability of electricity consumption but also to support the development of the means of renewable energy production.

In 2020, La Banque Postale was able to prevent the emission of 5,479 tCO_2 thanks to this scheme.

"Consume better"

La Banque Postale works on a daily basis with its landlord Poste Immo to implement the **Green Lease** approach to its buildings. This approach aims to improve the environmental quality of buildings and reduce operating expenses through sustainable use and management of the buildings. This involves making occupants more aware of eco-friendly behaviour, optimising building equipment and ensuring all renovations incorporate energy performance by default and by design. In 2020, 28 buildings occupied by La Banque Postale with the highest energy consumption implemented this process. These buildings are covered by the Environmental Schedule (leases for office and commercial premises greater than 2,000m^2) and/or fall within the scope of the Tertiary Charter signed by Poste Immo in anticipation of the decree on tertiary sector renovation.

La Banque Postale launched construction to meet the requirements of the new tertiary decree, which aims to reduce final energy consumption by 40% by 2030.

34 buildings occupied by La Banque Postale are concerned. They generate an annual energy bill of approximately €1,224,000.

Moreover, La Banque Postale, with three buildings (Saint-Denis Lancastel, Mas Loubier, Poitiers Maillochon) represented by Post Immo, is participating for the fifth year running in the **CUBE 2020** competition. This initiative is one of the actions implemented as part of the Green Lease approach. This competition is organised by the IFPEB(1) and aims to encourage companies to reduce the energy consumption of their buildings by involving their users.

This fifth round took place from 1 January 2020 to 31 December 2020. By the middle of the year, these buildings already reported an average energy saving of 5%. The final results are expected in March 2021.

During the previous rounds, several postal sites were recognised for having achieved results of up to 38% in energy savings.

Other actions promoting energy management are continuing with the support of **Sobre Energie**. This subsidiary (a joint venture of Poste Immo, la Caisse des Dépôts et Consignations and Egis) and its digital tool supported Le Groupe La Poste in the implementation of an Energy Management System and the obtaining of ISO 50001 certification.

The activities carried out since 2018 by Sobre Energie (a consulting firm specialised in the energy management of buildings) on entities within the scope of La Banque Postale contributed to the **obtaining in April 2020 of ISO 50001 certification** for 26 buildings occupied (in part or entirely) by La Banque Postale. This certification guarantees the implementation of a full-fledged continuous improvement system for these buildings' energy management. Since the summer of 2020, these buildings have been included in a comprehensive, systematic and long-term approach to energy performance (as part of the Poste 10,000 project carried out by Sobre Energie on the entire Le Groupe La Poste). This initiative includes: close monitoring of multi-fluid consumption through the data platform MARC (Sobre Energie's software tool), a diagnostic review, instrumentation of environmental sensors (for measuring temperature, presence, luminosity and hygrometry), implementation of seasonal action plans (by the technical building management teams) and events aimed at gaining occupant buy-in. These actions extend and complete the Green Lease Approach implemented by Poste Immo and prepare La Banque Postale for compliance with the new Tertiary Decree.

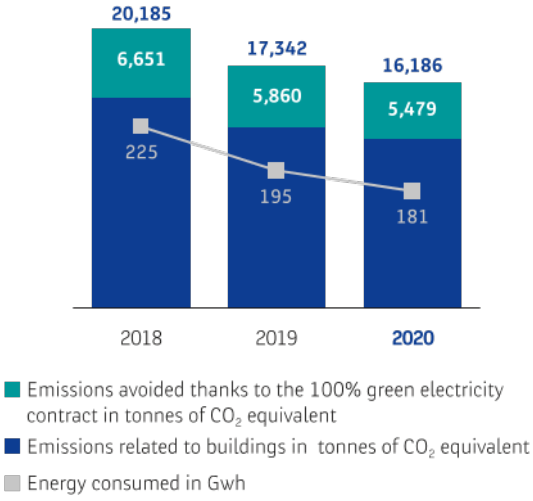
(1) *Institut français pour la performance énergétique du bâtiment* (French Institute for Building Performance).

3. Encourage employees to adopt eco-responsible behaviour

La Banque Postale conducts multiple awareness campaigns every year in the head offices and throughout the country thanks to its CSR Officers. They work to raise employee awareness of environmentally responsible behaviour by running campaigns on environmental practices, manning information kiosks and organising themed exhibitions.

Successful actions

The actions carried out as part of the building energy performance policy have enabled La Banque Postale to contain its greenhouse emissions from its buildings over the past years, despite the growth of its business. La Banque Postale's CO_2 emissions from buildings fell by 61% between 2013 and 2020. The per employee reduction is also positive, with a 57% reduction in CO_2 emissions per employee in 2020 compared to 2013. In 2020, building emissions totalled 16,186 tCO_2 equivalent (down 7% compared to 2019) across the most exhaustive scope available at this time, i.e., covering 17 subsidiaries and including emissions caused by the banking activity (Banking Advice Line) in post offices. This reduction was achieved largely thanks to the policy to purchase 100% renewable electricity for the majority of La Banque Postale buildings from 2016.



In 2016, La Banque Postale staggered its **reduction targets**, in line with its 2016-2022 strategic plan:

- 5% reduction in 2017 (*figure achieved: 5%*);
- 10% reduction in 2018 (*figure achieved: 12%*);
- 15% reduction in 2020 (*figure achieved: 30%*);
- 20% reduction in 2022.

6.2.4.1.4 A Green IT performance policy for its IT equipment

The carbon footprint of all computer equipment has been measured since 2013 across Le Groupe La Poste, using the GreenArgile® software package.

Out of a constant concern for progress in the analysis and most precise use of this tool, La Banque Postale decided in 2020 to differentiate between its equipment in use from that held in stock as the latter have no impact on usage. Moreover, with regard to the equipment in the Data Centre, La Banque Postale opted to monitor the hosts' electricity consumption(1) in real time rather than estimations. Lastly, it decided this year to take into account the specific emissions from renewable electricity, which supplies all of La Poste's buildings, rather than the generic data for France as a whole.

In 2020, all IT equipment – 144,536 items (an increase of 10%) – was analysed(2). Its environmental impact(3) is 9,213 tonnes CO_2 equivalent, i.e., a 14% reduction compared to 2019. This increase in the quantity of equipment is due to the re-internalisation of IT equipment by some of our subsidiaries(4) but also to the thousands of laptops provided to employees locked down at home due to Covid-19. The reduction in environmental impact is the result of the improvement in consumption calculations, but also the replacement of the older equipment with more energy efficiency items.

In parallel to a responsible purchasing approach to IT equipment and services, the department in charge of the Bank and Distribution Network's IT systems (the DSIBR) has established a Green IT action plan, based on an analysis of the carbon footprint from equipment under its responsibility. Thus, all desktops and laptops at La Banque Postale purchased since 2012, which are being gradually replaced, are EPEAT (Electronic Product Environmental Assessment) eco-labelled and now account for 76% of all equipment (compared to 75% in 2019). With respect to monitors, 94% are EPEAT eco-labelled (vs 80% in 2019). In addition, since 2014 La Banque Postale only purchases Energy Star labelled printers. Since 2019, it recommends the Blue Angel label and 9% of its printers now carry a quality label (compared to 5% in 2019). Lastly, after the introduction in 2019 of secure printing in the printing pool through the Watchdoc tool, La Banque Postale is looking to retire most of its office printers. This project was originally due to take place in 2020 but was postponed until 2021 due to the public health situation.

In addition, since 2018 La Banque Postale has been working with an organisation employing disabled persons for the reuse of disposed equipment. In 2020, 40% of the machines withdrawn from use were reconditioned in this way.

(1) As our Data Centres are hosted, the impact related to the use of our equipment within this area form part of Scope 3.

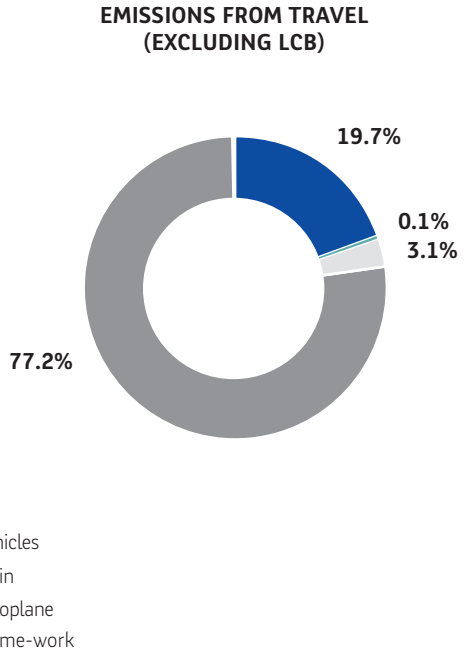
(2) The analysis covers the following categories: monitors, televisions, video projectors, mainframes, UPS, storage systems, desktops, laptops or all-in-ones, servers, multifunction copiers and other printers, scanners, fax machines, branch exchanges, hubs, firewalls, network routers and switches, WiFi hotspots, landline telephones, smartphones and tablets.

(3) This figure for the environmental impact of the use of "Distributed Computing and Telephony" equipment already takes into account its use phase in the calculation of our buildings-based greenhouse gas emissions. The overall figure groups together the impacts of production, use and recycling of the equipment within the perimeters of Data Centres and Distributed Computing.

(4) Re-internalisation of La Banque Postale Financement (LBPF) and La Banque Postale Assurance (LBPA) which joined Ma French Bank (MFB) and Transactis.

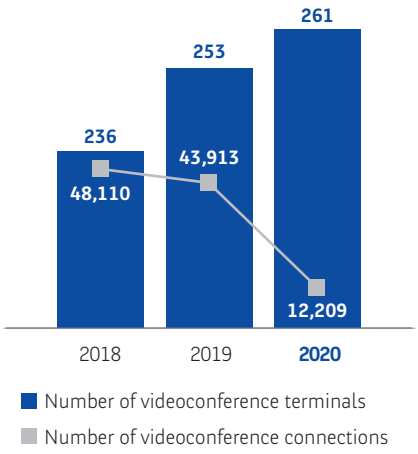
6.2.4.1.5 A responsible mobility policy for employees

In 2020, the share of greenhouse emissions related to employee travel accounted for just over 67% of La Banque Postale's carbon footprint. La Banque Postale has taken various measures designed on the one hand to reduce the number of journeys made by employees, and on the other hand to encourage them to use more environmentally friendly modes of transport. The responsible mobility policy applies to both business travel (rail, air and road) and employee commutes. In 2020, the emissions from these journeys broke down as follows:



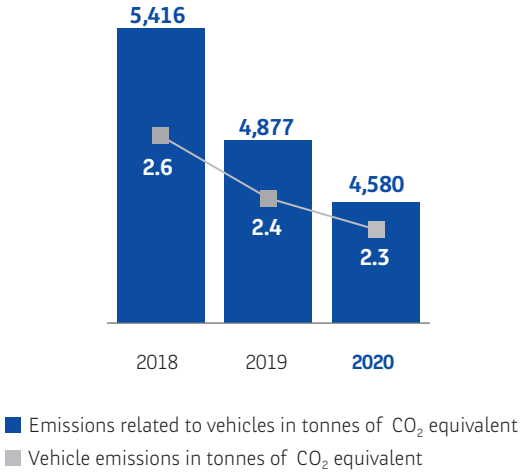
La Banque Postale is installing **videoconferencing terminals** in its buildings to facilitate discussions and meetings and reduce the need for business travel. The public health situation in 2020 slowed down installation of new videoconferencing terminals. Nonetheless, there are now 261 terminals installed in the head offices and Financial Services as well as some of La Banque Postale's subsidiaries. However, the number of connections only amounted to 12,209 in 2020 as home working employees chose to videoconference via their work station. The goal of limited travel was amply achieved and this resulted in significantly expanded use of collaborative tools within the Group.

In 2020, the Group discontinued use of Skype software and encouraged the Teams solution for videoconferencing from Cisco terminals. This solution, which was first piloted in July 2020, is now in effect and replaces the earlier system of videoconference reservations which ended on 31 January 2021.



The development of **home working** as part of efforts to improve the work-life balance also helps limit the impact of business journeys (see the Commitments to employees section, Well-being at work paragraph).

The size of **La Banque Postale's vehicle fleet** has fallen by nearly 2% (1,970 vehicles in 2020 versus 2,006 in 2019). This reduction was accompanied by changes in the types of engine used across the fleet. The choice of a petrol engine for any vehicle replacement is now encouraged, which has helped cut emissions by 6% (4,877 tCO_2eq in 2019 vs. 4,580 in 2020). In addition, the **tCO_2eq emitted per vehicle fell by 4%**.

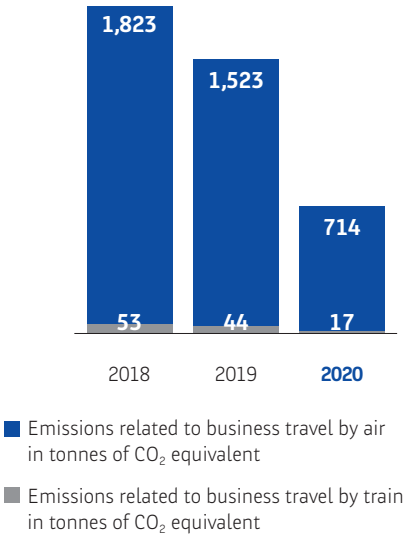


Vehicle emissions (excluding the Banking Advice Line)

La Banque Postale's **travel policy** provides guidelines for what mode of transport employees should use, depending on the destination. It encourages low-emission transport i.e., by train for all travel in mainland France, apart from exceptional circumstances. Air travel is strictly for travelling to French overseas departments and other countries. In 2020, employee train journeys accounted for 17 tCO_2eq (versus 44 in 2019) and air travel accounted for 714 tCO_2eq (versus 1,523 in 2019). Between 2017 and 2019, the CO_2 emissions from air travel decreased by nearly 23%, while those related to rail travel decreased by 52%. This downward

trend was amplified by the measures taken by the Group's health protocol which greatly limited business travel in 2020.

Emissions from business travel



To encourage the use of **soft transport in addition to charging points where they can recharge their own electric bicycles**, La Banque Postale provides employees with bicycles, electric bicycles and electric scooters at the financial and national centres and at the head offices of the Bank, including the Bords de Seine II office. The winner of the 2015 Carbon Fund, it was the first to be given eight electric bicycles in 2016 for business and private use. All the Village La Poste sites (Lemnys, Brune and Crossing) have had electric bicycles since 2016 to encourage green travel between sites.

Thanks to the employees who answered the **home-work survey** during the 2019 Mobility Week, La Banque Postale was able to calculate the emissions from employee commutes across its entire scope. In 2019, these emissions amounted to 36,609 tCO_2eq. For the first time in 2019, this survey gathered responses from employees at the Banking Advisory Line, and its calculation method includes employees who work from home and part time. The result was a more accurate and realistic estimate of La Banque Postale employee commutes in 2019. The figures show that, on a like-for-like basis (excluding the Banking Advisory Line), the number of kilometres travelled by La Banque Postale employees fell by 8% between 2017 and 2019, from around 150 million in 2017 to 137 million in 2019. The fact that home workers and/or part-time employees have been included since 2019 has pushed down the distance commuted. In general, there was a 17% increase in cycling and an 8% fall in the use of cars by employees between 2017 and 2019.

The survey is conducted every two years and will therefore be repeated in 2021. These figures reflect the efforts made by La Banque Postale to encourage its employees to adopt environmentally friendly modes of transport, and allow it to calibrate the effectiveness of its emissions reduction actions. In order to reduce the impact of travel by La Banque Postale employees, **awareness campaigns are also conducted during the year**, especially during European Mobility Week. Although 2020 was an exception, many events are usually organised on this occasion at national and regional entities by the CSR Officers, including bicycle repair workshops, test drives of electric transport (electric bicycles, the Renault Zoe, electric scooters, etc.), promotion of car sharing (**particularly via advertising of platforms and inter-site challenges**), multisport activities, city centre guided tours, etc.

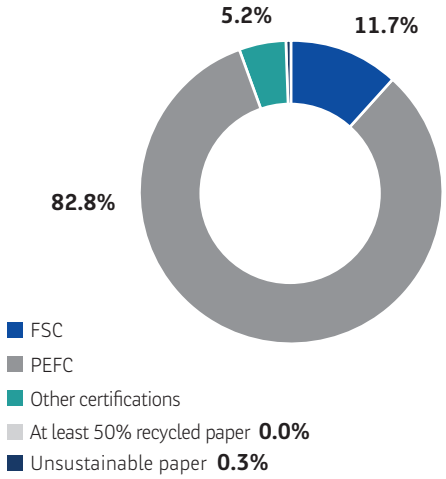
6.2.4.1.6 A responsible paper consumption policy

Of the 3,312 tonnes of paper consumed in 2020 (versus 7,119 in 2019) i.e., a decrease of more than 53% over the entire scope of La Banque Postale:

- 9% of paper was consumed internally, the equivalent of 10.8kg per employee;
- 91% was consumed externally (sent directly to customers, marketing) and represented 0.32kg per active customer.

In 2020, the **portion of "responsible" paper**, in other words, recycled or sourced from sustainably managed forests, was 99.75%.

DISTRIBUTION OF PAPER BY CERTIFICATION TYPE (EXCLUDING LCB)



LBP scope, Financial Services, Subsidiaries

Total paper consumption fell by 63% between 2013[1] and 2020 after the Banking Advice Line was added to the reporting scope for paper in 2013. The decrease over this period was primarily due to a 63% drop in "external" paper consumption for customers and communication thanks to a paperless policy (e.g., online statements), and a 67% drop in "internal" paper consumption, notably thanks to greater awareness and accountability of employees concerning paper consumption. Since 2014, till receipts have not contained any bisphenol A.

(1) Allocated to "external consumption" i.e., correspondence sent directly to customers and marketing.

6.2.4.2 Manage the environmental footprint of its products and services

DPEF

6.2.4.2.1 A responsible refinancing policy

On 15 April 2019, La Banque Postale successfully issued its first green bond for €750 million with a 10-year maturity. The funds raised through this issue will be used to refinance projects in the renewable energies sector (onshore/offshore wind and solar farms) in Europe, mostly in France.

The issue was oversubscribed by a factor of 3.3 by over 130 different European investors, most of which are responsible investors.

In April 2020, in accordance with its commitment, La Banque Postale published the allocation and impact report, verified by an independent auditor, which allows investors to see how the fund is being allocated and assess the environmental impact of their investments.

The projects refinanced by this green bond will help achieve the United Nations Sustainable Development Goals (SDGs) No. 7 (clean affordable energy) and No. 13 (climate action) and avoided the emission of 71,702 tCO_2eq.

La Banque Postale hopes to become a regular issuer on the social, sustainable and green bond market, thus reaffirming its commitment to overcoming environmental and social challenges.

6.2.4.2.2 Reducing the carbon footprint of portfolios

La Banque Postale's goal is to manage the indirect greenhouse gases connected to its products (see the section on Commitment to customers, paragraph Designing and proposing a responsible product and service offering). In 2017, La Banque Postale signed up to the **Science Based Targets** initiative (SBTi) in order to help reduce the carbon footprint of its portfolios. It has since actively participated in working groups for establishing a measurement methodology to allow the financial sector to set its reduction pathways. La Banque Postale Asset Management (LBPAM) and the Risk Department are supporting the CSR unit with this work, which will continue into 2021.

In September 2020, La Banque Postale undertook to reach net-zero emissions across all its investment portfolios dealing as principal and for its credit business by 2040, i.e., 10 years before the deadline set by the Paris Agreement.

In accordance with Article 173 of the LTECV, LBPAM publishes an annual **report on its website regarding its contribution to the fight against climate change**[1]. LBPAM structured its 2020 Energy Transition report by relying on the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) in order to increase its transparency in relation to managing its climate-related risks. The report includes indicators for measuring the average carbon intensity of its portfolios, the exposure of LBPAM investments to climate risks and to companies linked to the coal industry, as well as the investments made by LBPAM in solutions that facilitate energy transition. The calculations are carried out for equity funds open to the public and for open funds invested in corporate bonds. The inclusion of the TCFD proposals is in line with LBPAM's support for these recommendations in 2018 and led to a significant modification of the document in 2020 compared to 2019.

In line with its aim of being a 100% responsible and climate-committed investor, LBPAM wants its asset management to follow a trajectory consistent with the Paris Agreement goal of limiting the global temperature rise to 1.5°C by 2100. LBPAM therefore retained the P2 scenario of the Intergovernmental Panel on Climate Change (IPCC), which defines a decarbonisation trajectory that will limit the increase in average temperature to 1.5°C in 2100. This means that net global greenhouse gas (GHG) emissions must be zero in 2050.

This scenario was retained because the IPCC demonstrated that the negative impacts of climate change will be significantly diminished by limiting warming to 1.5°C rather than 2°C and because "negative emissions" technology only makes a marginal contribution to achieving neutrality.

Following the logic behind the P2 scenario, which is to promote sustainability through a far-reaching transformation of society, LBPAM laid out a three-part climate strategy for managing risks and increasing climate-related opportunities in investment decisions:

1. reducing exposure to high-carbon assets;
2. optimising the choice of companies and sectors in the portfolio;
3. increasing investments in companies that provide a solution to the energy transition and contribute to the fight against global warming.

LBPAM calculated a set of indicators for this report in order to assess its climate response actions. Some of these indicators are already included in the management of the portfolio, such as exposure to thermal coal or the pillar E rating for all the labelled funds. Others were calculated ex-post and are not actively monitored in the investment decisions. These indicators nonetheless allow us to establish LBPAM's climate roadmap for the coming years.

LBPAM significantly increased its commitment activities in 2020, concentrating on three "high-stake" sectors in terms of their contribution to global energy-related CO_2 emissions: electricity production, mining and oil & gas production. These actions were carried out at different levels: voting policies in general shareholders' meetings, individual commitments and collective commitments. In addition, LBPAM ramped up its dialogue with issuers impacted by the application of its coal policy and took part in four collaborative engagement campaigns: submission of a shareholders' resolution to the Total 2020 general shareholders' meeting, campaigns aimed at RWE and Fortum/Uniper to accelerate their coal exit and dialogue with Vale as part of the Climate Action 100+ initiative.

In 2020, La Banque Postale thus continued to implement its **coal policy** initiated in June 2019. This policy aims to exclude from all open-end funds issuers involved in mining and electricity production that generate revenue from thermal coal and have not undertaken to eliminate this resource from their business in accordance with the dates recommended by science (OECD: 2030; world: 2040). This policy is free from a "threshold" approach insofar as it is applicable from the first euro of revenue generated from this energy and has as its main goal to spur targeted entities to commit to the energy transition.

(1) Report published in 2020 and available at: https://www.labanquepostale-am.fr/media/rapport_lte_2020_de_lbp_am.pdf

Dialogue with shareholders has a big role in LBPAM's coal policy. When issuers' communication lags behind scientific recommendations, LBPAM's SRI analysts engage with these companies to encourage them to revise their strategy to align it with science and take into account the principles of the Just Transition in order to minimise the social impacts related to decommissioning assets.

Applying the coal policy led LBPAM to divest 100% of its positions in issuers not aligned with scientific recommendations and engage a dialogue with 11 issuers in order to clarify their coal exit plan and determine whether they will be excluded or not from investment universes.

LBPAM also assessed its exposure to hydrocarbons other than thermal coal insofar as the share of oil or gas in global production of primary energy should be cut in half between 2020 and 2050 under scenario 2. At end-2020, across the scope of its open-end funds, LBPAM's exposure to oil and gas sector issuers amounted to €714 million. With nearly 90% of its holdings in shares, LBPAM is in a position to exercise its voting rights at general shareholders meetings as well as to engage with the issuers concerned to encourage them to implement a strategy of reducing the most carbon-intensive resources in their portfolio. **The climate optimisation of LBPAM portfolios** is based on a methodology that combines qualitative and quantitative approaches to identifying climate-related risks and opportunities. Two tools are thus mobilised to ensure that the climate issue is systematically taken into account in LBPAM's portfolios: the rating of the Energy (pillar E) and Economic Transition and the ex-post measurement of the GHG emissions for all the portfolio's securities.

The E pillar retranscribes the quality of the climate strategy of each issuer in the investment universe through a rating from 1 to 10, with 1 being the best score. The rating is based on two main components: the management of climate risks (GHG emissions, exposure to transition and physical risks, carbon asset holdings) and the contribution to the energy transition of the issuer's product and service offer (measurement of revenue and/or EBITDA). This analysis is based on some 15 indicators collected from specialised rating agencies.

LBPAM measures its GHG emissions by evaluating the carbon intensity of its investments, i.e., the GHG emissions of companies expressed in tonnes of CO_2 equivalent in relation to the amounts invested. By waiting to be able to rely on an accurate and reliable "temperature" of the portfolios, LBPAM considered this metric to be the most robust for objectively assessing the emissions financed and measuring the progress achieved from one year to the next. In addition to scope 1 and 2, this metric integrates the scope 3 emissions in order to have a complete picture of the companies, their value chain, and the contribution of their products and services to the energy transition.

At end-June 2020, the carbon intensity of LBPAM's open end funds was **558 tonnes CO_2 equivalent per million euros invested, i.e., a 30% lower carbon footprint than the assets' representative benchmark**.

Exposure to transition risks is the second indicator used by LBPAM to evaluate climate risks, particularly the financial cost associated with climate change. To do so, LBPAM relied on Carbon Delta's methodology which assesses both the political and technological risks related to the energy transition. Physical risks are measured with the help of a probabilistic model which determines the present value of the costs borne by an issuer following physical damage to its assets caused by a weather event related to the intensification of climate change (drought, heat waves, hurricane, rise in sea level, etc.). The first work carried out in 2020 showed that the exposure of LBPAM's open end funds to transition and physical risks was **significantly less than that of the assets' representative benchmark**.

The **climate opportunities** in the portfolios are managed at a first level via sustainable themes related to the energy transition: renewable energies, sustainable transport & mobility, circular economy, sustainable agriculture & food and green buildings. The "solutions" companies eligible to exploit these opportunities are those that generate at least 20% of their revenue from products or services contributing to meeting the energy transition challenges (production of renewable energy, waste recycling, thermal insulation of buildings, etc.).

The second level of management is located at the level of green bonds, an asset class whose purpose is to finance projects that contribute to the energy transition. LBPAM developed a two-step proprietary analysis methodology for assessing the contribution of these bonds to the decarbonisation of the economy: global assessment of the issuer's climate strategy then analysis of the green bond's contribution to the energy transition. At 30 June 2020, total outstandings associated with the green bonds and green solutions amounted to more than €5 billion.

LBPAM thus manages and markets two funds for which the energy transition and environmental protection are central to the investment strategy: LBPAM ISR Actions Environnement and LBPAM ISR Green Bonds Flexible. Having obtained the Greenfin label created by the Ministry for the Ecological Transition, these two funds enable customers to contribute to the decarbonisation of the economy, while gaining exposure to the equity and bond markets.

6.2.4.3 Promoting the emergence of a circular economy

6.2.4.3.1 Contribute concretely to the dynamics of the circular society

Offer paper and card recycling via the Recygo solution DPEF

Recygo, the company created by SUEZ and Le Groupe La Poste, is mobilising in support of the environmental and energy transition. **Specialised in the sorting and recycling of office waste**, its offer is proposed by the Mail-Parcels-Services Branch.

Simple to use, Recycgo has quickly taken hold of the recycling market.

Eco'belles®, boxes in which the papers, are inserted are distributed to employees. The company's maintenance personnel empty these Eco'belles® into a centralised container provided by La Poste to simplify logistics. Postal carriers then carry the contents away during their rounds, a collection method covering all of France, even the most remote areas and without emission of additional CO_2. Through these optimised logistics, the contents are transported to players in the social and solidarity economy for sorting or shredding before shipment to paper producers-recyclers in France.

In line with the Group and its CSR policy, La Banque Postale has been using the Recygo paper service at its financial and national centres since 2013.

In 2020, Recygo was used to collect 770 tonnes of paper for recycling, i.e., a volume equivalent to 2019, which was 765 tonnes.

Collection of Waste Electrical and Electronic Equipment

Like any other company in the service sector, the management of end-of-life Waste Electrical and Electronic Equipment (WEEE) is an important challenge for waste management policies. At La Banque Postale, and all other entities of Le Groupe La Poste, PAPREC and LOXY are the companies responsible for handling most of its WEEE collection and recovery. LOXY, a company in the disabled employment sector, collects and processes IT and electronic equipment, thereby giving them a second life. In its ongoing search to minimise its carbon impact, La Banque Postale has used this integrated solution since 2018. Since 2012, the IT Systems Department for La Banque Postale and the La Poste Distribution Network has had a policy for processing and recycling WEEE, in cooperation with Valdelec. This company is in charge of receiving, disassembling and processing WEEE.

In total in 2020, a little less than 100 tonnes of WEEE were collected, i.e., 10,400 pieces of equipment. Of the 9,736 items in the "distributed computing and telephony" category, 3,903 were directed toward reuse, i.e., a reconditioning rate of 40% (compared to 41% in 2019).

Develop the reuse of cartridges from the Distribution Network

In 2020, the teams of the post office branches and management sites continued the collection and shipping of used cartridges in partnership with Lexmark. Lexmark simplifies the return of all the cartridges used by the La Poste Network.

Employee efforts combined with that of our partner (sorting, cleaning and tests) enabled the La Poste Network to increase from 90% to **95% reuse of Lexmark cartridges**. These cartridges follow the same manufacturing process as new cartridges during reconditioning (replacement of used or faulty parts, tests, quality control).

In 2020, 92,163kg of material were recycled, i.e., the equivalent of 305,015kg of CO_2 avoided or 129,326 litres of oil saved in one year.

As part of this partnership, no cartridges are incinerated or sent to landfill.

Implement the recycling of ATMs

As part of its circular economy strategy, La Banque Postale's Purchasing Department (DHA) has implemented an ATM parts recovery scheme. Any WEEE from ATMs which are not recovered or cannot be repaired are destroyed in line with decree 2005-829. As well as offering a real economic opportunity, this scheme ties in with the DHA's strong commitment to developing CSR initiatives with its partners.

In 2020, La Banque Postale undertook a new action in line with the Group's SRI approach.

Many of La Banque Postale's still functioning ATMs are stored on construction platforms. Some are not redeployed on our sites for strategic reasons.

The Purchasing Department has decided to resell these ATMs **to recycle them** rather than destroy them. Once they have been received by La Banque Postale's service provider, the ATMs are inspected in order to verify that they are in working order.

Then, they are sent to other countries, such as countries in Africa either for reuse or resale as spare parts. The ATMs that cannot be reused are destroyed.

6.2.4.3.2 Combat food waste and raise employee awareness of the circular economy

DPEF

The catering package from the DNAS (National Social Activities Directorate) at Le Groupe La Poste, which manages a portion of La Banque Postale's catering facilities, includes various initiatives to promote responsible collective catering by combating food wastage and encouraging healthy eating.

The specifications for collective catering include CSR requirements, notably with regard to combating waste. They include:

- **procedures and methods to avoid daily waste and food loss**. Some examples can be mentioned: taking inventories before placing new orders, analysing diner numbers in order to adjust the volumes produced daily, FIFO (First In First Out) stock management, etc.;
- **raising the awareness of catering teams**: daily briefings, encouraging greater communication with diners to serve appropriate portion sizes based on individual needs.

  Since June 2018, catering managers have been receiving eco-training. Despite the public health crisis, this training continued in 2020 through remote sessions. During the course, employees learn about best practices to prevent waste. By the end of the training day, students are offered tools so that they can in turn train the rest of their catering teams;
- **raising diner awareness**: continuation of the communication and awareness campaigns to inform diners about the issue of food waste and the circular economy.

Three powerful moments shaped 2020:

- **the European Week of Sustainable Development, which took place** from 21 to 25 September 2020 with the theme: eco-friendly behaviour and the legend of Colibri. This communication campaign encouraged the diners to adopt responsible eco-friendly behaviour via a wishing tree. The employees also became aware, for example, of eco-friendly behaviour: "become a consumer-player" and "resource management";
- **Taste Week, which took place** from 12 to 18 October 2020 promoted 15 anti-waste recipes. Post cards with the anti-waste recipes were distributed. A communication campaign was organised around the key figures on food waste and tips for cooking 100% of the products purchased (radish and carrot tops, peelings, seeds, etc.). An anti-waste menu is also offered every third Thursday of the month;
- **the European Waste Reduction Week, which took place** from 23 to 27 November 2020 with the organisation of a campaign for weighing food waste. This campaign made it possible to compare the results with those obtained at the similar weighing campaign carried out in 2019. In addition, communication materials raised visitors' awareness of the fight against waste and encouraged them to take the right quantity and then to "finish" their plate. Shelf talkers "Small or Big appetite: specify the desired quantity" were posted in the eating areas.

Lastly, the "TOO GOOD TO GO" app was rolled out on an experimental basis. At the end of the meal service, meals were offered to the employees in the form of "surprise baskets" at an attractive price in order to limit food losses and fight food waste.

6.3 CSR INDICATORS

The CSR indicators published in this section support La Banque Postale's desire for transparency and substantiate the qualitative elements described in the previous sections. They have been grouped into four categories: economic indicators, employment indicators, social indicators and environmental indicators.

As an introduction to the indicator tables, the following note on methodology provides the information needed to correctly understand the indicators, their scope and their possible limitations.

6.3.1 Note on methodology

The reporting protocol supports the use of non-financial indicators in order to report on the CSR performance of La Banque Postale Group. The information is collected by a network of over one hundred CSR Officers and contributors to the non-financial reporting process.

The CSR indicators were created with regard to the indicators suggested by the French New Economic Regulations Act (the NRE Act), Article 225 of the Grenelle II Act, and according to their relevance to La Banque Postale's business activity, in line with the European directive on non-financial reporting which has been transposed into French law, notably via Order No. 2017-1180 of 19 July 2017 introducing the Non-financial Performance Declaration. The indicators proposed by the Global Reporting Initiative (GRI), in particular in its Financial Services Sector Supplement (FSSS), were also taken into account. National methodology such as ADEME's carbon assessment protocol known as Bilan Carbone®, was used as a guideline, particularly for the calculation of environmental indicators.

For each indicator, the figures for the last three years are given whenever possible. The data is presented on a like-for-like basis, and any changes in scope are explained. If a change in scope, change in methodology or post-hoc correction is identified, the data are restated since previous publications for comparison purposes and are marked by an asterisk*.

6.3.1.1 Scope of non-financial reporting

The aim of La Banque Postale's feedback process is to cover all of the Bank's business activities and their impacts, all of the physical entities (buildings) and all of the players at La Banque Postale. These players make up the subsidiaries and the Banking Advice Line. Various scopes have therefore been defined in order to account for the corporate, social and environmental impacts of business activities in a relevant way. The table below presents the **target non-financial scope as at 31 December 2020**.

La Banque Postale (legal entity)	▶ Head office of La Banque Postale ▶ Regional control departments ▶ Regional commitments department	**3,253 employees** (i.e., 11% of La Banque Postale) as at 31 December 2020.
Financial Services (employees of Le Groupe La Poste working under the name of and on behalf of La Banque Postale)	▶ 20 mainland Financial Centres, four Financial Centres in French overseas departments, four National Centres ▶ Bank and Distribution Network's IT Department (DSI-BR) ▶ Financial Services Department ▶ Department of Businesses and Regional Development (DEDT)	**12,100 employees** (i.e., 40% of La Banque Postale) as at 31 December 2020.
Banking Advice Line (employees of Le Groupe La Poste working under the name of and on behalf of La Banque Postale) – The positions included are: - Banking Advice Line (LCB): financial advisors (COFI), customer advisors (COCLI), specialist wealth management advisors (CSP), Customer Managers (Gescli), expert home loan advisors (CECI), specialised real estate advisors (CSI), adverse possession loan advisors (CPCI), government-assisted housing loan advisors (CFAS) - Appui Soutien Bancaire (ASB): Adverse Possession Operations Director (DOPI), Youth Leader, Loan Assistant, Bank Sales Monitor (MVB) and Retail Client Manager (RCPART), Maison de l'Habitat Director, Maison de l'Habitat Development Manager, Banking Tools & Methods Manager	▶ Advisors working in post office branches	**9,878 employees** (i.e., 32% of La Banque Postale) as at 31 December 2020. Operating from post offices, the surface area and the energy and paper consumption of the Banking Advice Line are given the same financial weighting as when pro rating the distribution of charges for the 2020 financial year, i.e., 50.6%.
The subsidiaries excluding CNP France (17 subsidiaries are consolidated in the non-financial report)	▶ Employees working in the 17 subsidiaries within the scope	**2,514 employees** (i.e., 8% of La Banque Postale) as at 31 December 2020.
CNP Assurances France (Consolidated in the non-financial report)	▶ Employees working in CNP Assurances France	**2,660 employees** (i.e., 9% of La Banque Postale) as at 31 December 2020.

Post office counter staff, who work for the different business lines of the Le Groupe La Poste are not included in the non-financial scope of La Banque Postale.

The scope is the same for all economic indicators, which cover all of La Banque Postale. However, for the other indicator categories, the scope may vary from one indicator to another. For each indicator, the scope is stated in a bordered box as shown below and followed by an explanation if required:

Reporting scope: Entity Outside scope: Entity

Where applicable for the employment and social indicators, the coverage rate is calculated based on number of employees; for the environmental indicators, it is calculated based on surface area occupied.

Consolidation of subsidiaries

The consolidation of subsidiaries within the non-financial scope is based on the principle of accounting consistency as well as on the principle of relevance of their various impacts. The goal is to include all consolidated subsidiaries in which the Group holds an interest of at least 50% (fully integrated), as well as certain non-consolidated subsidiaries which have relevant impacts on La Banque Postale's interests (see organisation chart in Section 1.1.6 of this Universal Registration Document). In 2020, the 18 consolidated subsidiaries were:

- Retail Banking: La Banque Postale Financement (LBPF), Easybourse, La Banque Postale Immobilier Conseil (LBPIC), La Banque Postale Leasing & Factoring (LBP L&F), La Banque Postale Collectivités Locales (LBPCL), BPE, SOFIAP, Domiserve, Kiss Kiss Bank Bank & Co. (Lendopolis and Goodeed), Ezyness, Ma French Bank (MFB);
- Asset Management: La Banque Postale Asset Management (LBP AM) and Tocqueville Finance SA;
- Insurance: La Banque Postale Prévoyance (LBPP), La Banque Postale Conseil en Assurances (LBPCA), La Banque Postale Assurances IARD (LBP Ass. IARD), La Banque Postale Assurances Santé (LBPAS), CNP Assurances France.

In 2020, these subsidiaries were either all included, all excluded, or partially included in the calculation of the indicators. In the latter case, a list of included subsidiaries appears beneath the indicator.

The scope of the "Commitments to Employees" indicators encompasses 18 subsidiaries.

The scope of the "Commitments to customers" and "Commitments to society and the regions" indicators encompasses La Banque Postale and Financial Services.

The scope of the environmental indicators encompasses the entire scope of the subsidiaries. Where applicable, the exclusions are defined below the indicators.

Moreover, under the rules defined by the La Banque Postale Group, a new subsidiary is included in the non-financial reporting scope the year of the operation (N) prorata temporis or the following year (N+1). In order to ensure the reliability of the data, the business activity/entity may be included following an entire year, as that will allow the time to set up procedures for information feedback.

The specific case of CNP Assurances in 2020: taking into account its weight, it is partially included in 2020 for the entire year for the first year that it is held. For each indicator for which data may have been collected, the data relating to La Banque Postale Group will be presented 1) for a scope including the activities of CNP Assurances in France, preceded by the comment "including CNP Assurances France" and 2) for a scope excluding CNP Assurances activities in France, without any particular comment. The non-financial information related to CNP Assurances is provided for the scope of CNP Assurances' business activities in France, which represent 52% of the consolidated workforce of CNP Assurances. The non-financial information for CNP Assurances as a whole is available in Chapter 7 of the 2020 Universal Registration Document for CNP Assurances.

The non-financial information related to Le Groupe La Poste therefore includes, for 2020, the data related to La Banque Postale, Financial Services, the Banking Advice Line, the subsidiaries of La Banque Postale and the business activities of CNP Assurances in France. It encompasses 84% of La Banque Postale Group's consolidated employees.

For a first year of consolidation, the mitigation policies are presented for the scope of the La Banque Postale Group, excluding CNP Assurances; this represents 92% of the Group's consolidated workforce for all the risks except for the "Risk of failure to match insurance products and services with the consequences of longer life expectancy and to provide support for policyholders with health problems" and "Lack of or inadequate inclusion of ESG criteria in insurance business (creation of products, underwriting, reassurance)".

6.3.1.2 Information feedback in 2020

None of the information about animal welfare, responsible, fair and sustainable catering and the fight against food poverty has any bearing on La Banque Postale's business in terms of relevance or applicability.

"Commitments to customers" indicators

- SRI investments: systematic and measurable taking into account non-financial criteria in the management of the portfolios. This category is limited to funds which have obtained the ISR Public label (labelled funds) in compliance with the standards issued by France's Ministry of the Economy;
- since 2020, the equivalent funds "Socially Responsible Investment" and "Funds with other ESG approaches" are no longer included in this indicator;
- with regard to CNP Assurances funds not managed by LBPAM, please refer to chapter 7 of CNP Assurances' 2020 Universal Registration Document;
- CRESUS provides assistance to financially-vulnerable customers throughout France. Customers in the Greater Paris region are supported by Crédit Municipal de Paris (CMP);
- the AML/CFT training of employees encompasses 83% of the Group's workforce as the data on the subsidiaries and CNP Assurances are currently excluded.

"Commitments to Employees" and "Commitments to Society and the Regions" indicators

- for most of the social indicators, 18 subsidiaries within the non-financial scope were included;
- the total workforce includes employees in active employment only (staff on permanent or temporary contracts, civil servants). Work-study contracts (apprenticeships, professional training contracts), employees whose contracts have been suspended and corporate officers are no longer included in the total workforce as part of the efforts to harmonise the protocol with Le Groupe La Poste. The workforce distribution by age only takes into account permanent contracts;
- CNP Assurances uses a different methodology for recognising its workforce; it is understood to mean its registered workforce. In order to ensure comparability throughout the scope of La Banque Postale, the CNP Assurances workforce has therefore been restated so as to be consistent with the definition used within Le Groupe La Poste including La Banque Postale; the permanent workforce is made up of employees on permanent employment contracts or civil servants;
- the Banking Advice Line has no strategic women executives;
- days of absence for occupational accidents with lost time are monitored on a calendar basis;
- La Banque Postale monitors occupational illness data, but the figures are not yet consolidated because this indicator is not considered materially relevant to its service business;
- the number of lost days due to illness is reported in calendar days, and takes into account permanent employees and civil servants. The indicator includes the number of days of absence from 1 January of year Y to 31 December of year Y;
- dismissal figures do not include removals from office of civil servants or terminations of trial periods by the employer;
- turnover is based on the workforce figure as at 31 December, excluding temporary contracts and work/study contracts;
- the standard duration of one training day is seven hours;
- e-learning courses are calculated based on theoretical duration;
- subcontracting at La Banque Postale is not significant and does not concern La Banque Postale's core business activities. Subcontractors remain in all circumstances under the authority of the service provider, who retains sole responsibility for the completion of all services, and more specifically for compliance with quality, safety and confidentiality requirements. See Article 28 of the contracts signed by suppliers;
- concerning the number of employees doing skills-based volunteering: this is the number of employees who have attended a budget workshop so that they can then offer their skills to people on the *Garantie jeunes en mission locale* scheme or in skills-based training programmes such as *Entreprendre pour apprendre* and *la Finance pour tous*;
- concerning the number of employees involved with *l'Envol*: this is the number of new employees that have responded to mentor recruitment campaigns and employees who have signed up to be a *l'Envol* mentor during the current year;
- concerning the number of young people benefiting from the *l'Envol* programme: this is the number of young people benefiting from the *l'Envol* programme at 31 December of year Y.

"Commitments to the Planet" indicators

- indicators are tracked over a rolling 12-month period, from 1 December of Y-1 to 30 November of year Y. The indicators cover: building and vehicle energy consumption and GHG emissions, water consumption, train and air travel and tonnes of Waste Electrical and Electronic Equipment (WEEE) collected;
- the data on paper consumption are tracked over a rolling 12-month period according to two methods depending on the entities' own reporting practices; either from 1 January to 31 December of year Y or from 1 December of year Y-1 to 30 November of year Y;
- energy consumption is monitored mainly on the basis of invoices and, if an invoice is delayed, on the basis of meter readings in order to provide the most accurate data possible;
- in 2020, emissions were converted to CO_2 equivalents using the emission factors provided by Le Groupe La Poste for consolidation purposes. If no emission factor was provided by Le Groupe La Poste, the figure was converted to CO_2 equivalents using the ADEME Bilan GES (greenhouse gas emissions profile). All data has been adjusted on a historical basis. The emission factors only include combustion (excluding upstream) for gas, propane gas, fuel oil, diesel and petrol. The emission factor used to convert district heating network consumption is that of the city in which the site is located (District Heating Energy Factor from the ADEME Bilan GES);
- the CO_2 emissions generated by employee business travel by rail and air are calculated using data issued by the transport service providers. They apply their own emissions factors to the journeys made by employees;
- in 2020, the CO_2 emissions generated by employee commutes are calculated using the results of the home-work survey of La Banque Postale Group employees (excluding CNP employees) conducted every two years. CNP Assurance employees carry out their own home-work survey with a different methodology; the results are therefore not necessarily comparable. The results of this survey for CNP may be found in CNP's 2020 Universal Registration Document. This exclusion will be corrected in 2021; a new study has been ordered and CNP, which was consolidated in 2020, will be included,
- for electricity consumption, the emission factor does not include transmission line losses; grey electricity is disassociated from renewable energy in the calculations; For green electricity, the emission factor supplied by Le Groupe La Poste is used. This is an average of the factors provided by the energy suppliers (EDF, Engie and Direct Energie);
- the Banking Advice Line has been included in the scope of publication for building-related energy consumption, water consumption and paper consumption, using a distribution formula and the accounting basis, making it possible to distribute the charges attributable to the Advice Line's employees working in the name and on behalf of La Banque Postale;
- the Banking Advice Line has been included in the scope of publication for vehicle-related emissions using a distribution formula which allocates the usage of the vehicles of La Poste Network to the Advice Line's employees working in the name and on behalf of La Banque Postale;
- the four Financial Centres located in the French overseas departments are not included in the environmental indicators, except for the vehicle data; due to a specific organisation, these data are reported indirectly via the information collected by La Poste Network;
- for the second time, in 2020, emissions from Data Centres have been included in the calculation for the total carbon footprint of La Banque Postale (covering 2018, 2019 and 2020). The emissions calculations encompass the construction, operational (excluding building-specific emissions) and end-of-life phases. Moreover, since 2020 the internal tool used for calculations makes it possible to monitor our hosts' actual energy consumption rather than estimations as was the case in previous years. It was impossible to reconstitute for previous years actual consumption; initial estimates, overestimated, have been kept;
- paper scrap in production is included in total consumption. "Urgent" paper consumption excluding framework contracts is not taken into account in the graphic chain's paper consumption. The contribution is marginal;
- for certain missing data, missing or erroneous consumption figures can be extrapolated from the most reliable actual consumption data, if relevant;
- in 2020, the data on the years 2019 and 2018 had to be restated due to retroactive consolidation of new subsidiaries;
- Article L. 229-25 of the Environmental Code sets out the methods for preparing and publishing greenhouse gas assessments for private legal entities employing more than 500 people, the method used by La Banque Postale to calculate the "total carbon footprint" indicator complies with the regulatory method as defined in the article. In particular, scope 1 emissions encompass the categories 1 to 5, scope 2 emissions encompass categories 6 and 7, and scope 3 emissions cover the categories 13 and 22 entirely as well as a portion of the emissions from category 9 "purchases of products and services".

6.3.1.3 Audit of CSR data

In 2011, La Banque Postale engaged an independent third party to verify its CSR indicators. In accordance with Article 225 of the Grenelle II law, La Banque Postale has continued this practice ever since. All of the verification assignments were issued a conclusion based on moderate assurance, which was published in the La Banque Postale Universal Registration Documents. In 2020, for the sixth year running, certain key indicators will be verified on the grounds of reasonable assurance.

Following this section on responsible development indicators is a report from the third-party organisation, which La Banque Postale instructed of its own accord, on the accuracy and compliance of the Non-Financial Performance Declaration with legal and regulatory requirements, as published in the management report included in the Universal Registration Document for the year ended 31 December 2020.

6.3.2 "Commitments to Customers" indicators

The indicators in the following table supplement the Accessible Banking, Responsible Customer Relations, Responsible Offering and Management of Non-Financial Risks sections of this document.

	ECONOMIC INDICATORS	2020	2019	2018
GRI	**BANKING ACCESSIBILITY**			
413-1	**Number of personal micro-loans paid (including home micro-loans)**	**1,027**	2,720	1,943
	There were 146 active partnerships with social assistance organisations in 70 French regions			
413-1	**Percentage of consumer loans less than or equal to €1,500**	**4.9%**	6.0%	6.5%
413-1	**Percentage of home loan borrowers earning less than 2 minimum wages per month**	**23.3%**	25.8%	27.1%
413-1	**Percentage of Livret A accounts with a balance of less than €150**	**49.0%**	51.0%	51.0%
413-1	**Number of *Simplicité* account option users √**	**141,217**	112,403	70,177

		2020	2019	2018
GRI	**RESPONSIBLE CUSTOMER RELATIONS**			
	Customer satisfaction rate	**74.0%**	84.6%	83.8%*
	Customer claims rate	**13.0%**	12.6%	13.1%*
	Bad debt rate for home loans	**1.0%**	1.0%	1.2%
	La Banque Postale's bad debt rate is still among the lowest on the market			
413-1	**Number of customers supported by CRESUS**	**203**	252	325
	CRESUS provides assistance to financially-vulnerable customers throughout France. Customers in the Greater Paris region are supported by Crédit Municipal de Paris (CMP).			
413-1	**Number of customers supported by *l'Appui***	**29,868**	39,660*	40,891*
413-1	**Number of deaf and hearing impaired customers assisted by Deafi**	**8,165**	7,787	6,028

Customer assistance is available in French sign language for the deaf and hearing-impaired. This service can be accessed via labanquepostale.fr and the Deafi mobile app.
Please refer to the paragraphs on accessible banking in the "Commitments to society and the regions" section for further information.

* Restated

√: indicator independently verified to a reasonable level of assurance

		2020 new scope	2020 (at 31 Oct. 2020) iso scope	2019	2018
GRI	**RESPONSIBLE OFFERING**				
	Assets managed by LBPAM (in € billions)				
203-2	Total responsible assets under management	**0.00**	147.70	137.20	115.06
201-1; 203-2	SRI (Socially Responsible Investment) funds	**25.00**	40.30	29.90	10.60
203-2	Funds with other ESG approaches	**0.00**	107.40	107.30	104.46
	Total assets under LBPAM management Since 1 November, the creation of the Ostrum subsidiary has involved a partial transfer of funds	**52.00**	**224.90**	/	/
GRI	**CNP Assurance assets not managed by LBPAM**				
203-2	Assets managed according to ESG criteria (including units of account)	**308.89**			
203-2	of which assets meeting the specifications of the SRI or GreenFin label	**34.58**			
203-2	of which assets managed according to other ESG criteria	**274.31**			

GRI	Financing of renewable energy production projects	2020	2019	2018
	Annual production (in € millions)	**642.0**	907.0	660.8
	Assets in € millions	**2,000.0**	1,915.7	1,462.0

GRI	MANAGEMENT OF NON-FINANCIAL RISKS	2020	2019	2018
	ESG RISK EXPOSURE OF THE CIB (NON-SOVEREIGN ISSUERS)	**4.06**	**4.44**	**4.84**
	ESG risk exposure of the CIB business (sovereign issuers)	**4.48**	5.15	5.15
	the level of exposure to ESG risks has been measured on a scale of 1 to 10, with 10 being the highest level of risk.			
201-2	**Level of exposure to climate risks of the CIB (corporate issuers) (in tCO_2/€m) of revenue**	**36.50**	45.40	43.00

GRI	Percentage of employees trained in the fight against money laundering and terrorist financing in the last two years	2020	2019	2018
	La Banque Postale employees	**50.5%**	34.9%*	24.4%*
	Financial Services employees	**58.1%**	25.2%*	38.4%*
	Banking Advice Line employees	**66.6%**	35.2%*	39.8%*
	This is the number of employees who received training during the year.			

* Restated
√: indicator independently verified to a reasonable level of assurance

6.3.3 "Commitments to Customers" indicators

The indicators presented in the following table supplement the social commitment section of this document.

		2020	2019	2018
GRI	**EMPLOYMENT: WORKFORCE, HIRING AND DISMISSALS**			
102-8	**Number of employees of the La Banque Postale Group in units (excluding CNP Assurance France)**	**27,745**	28,246	28,943
102-8	La Banque Postale	**3,253**	3,097	2,941
102-8	Financial Services	**12,100**	12,697	13,621
102-8	Banking Advice Line	**9,878**	9,985	10,094
102-8	Subsidiaries excluding CNP Assurances France	**2,514**	2,467	2,287
102-8	CNP Assurances France	**2,660**	N/A	N/A

Number of employees of the La Banque Postale Group including CNP Assurances France in units amounts to 30,405
Includes permanent and temporary contracts, civil servants, back office, excluding work/study contracts and suspended contracts.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
102-8; 405-1	**Proportion of permanent employees under 25**	**1.68%**	1.40%	1.19%
102-8; 405-1	including CNP Assurances France	**1.57%**	N/A	N/A
102-8; 405-1	**Proportion of permanent employees over 55**	**26.98%**	27.29%	27.73%
102-8; 405-1	including CNP Assurances France	**26.66%**	N/A	N/A

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
102-8; 401-1	**Number of CDI (permanent) employees recruited**	**1,516**	1,654 *	1,893*
102-8; 401-1	including CNP Assurances France	**1,629**	N/A	N/A

Includes the number of permanent hires following a temporary contract, an apprenticeship contract or an occupational contract, and external permanent hires.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
	Number of dismissals	**112**	125	101
	including CNP Assurances France	**124**	N/A	N/A

La Banque Postale has not made anyone redundant on economic grounds over the past three years.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

* Restated

√: indicator independently verified to a reasonable level of assurance

GRI		2020	2019	2018
401-1	**Employee turnover rate**	**4.6%**	**4.8%**	4.8%
401-1	including CNP Assurances France	**4.5%**	N/A	N/A

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI	REMUNERATION	2020	2019	2018
102-35	**Average gross annual remuneration for women in euros**	**37,542**	36,889*	36,031*
102-35	including CNP Assurances France	**39,217**	N/A	N/A
102-35	**Average gross annual remuneration for men in euros**	**44,475**	44,228*	42,547*
102-35	including CNP Assurances France	**46,284**	N/A	N/A
102-35	**Average gross annual remuneration for employees in euros**	**40,288**	39,786*	38,620*
102-35	including CNP Assurances France	**42,024**	N/A	N/A

Indicators calculated with the annual average workforce in FTE (employees on permanent contracts and civil servants

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
102-38	**Annual remuneration of the Chairman/gross average remuneration of the employees**	**11.2**	11.3*	11.7*
102-38	**Annual remuneration of the Chairman as a factor of the minimum wage**	**24.4**	24.7*	25*

Fixed gross annual salary for permanent employees. Chairman's gross annual salary (excluding fringe benefits)
The value used in 2020 was the 2020 minimum wage, i.e., €18,473.04.
CNP Assurances France not included

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
102-35	**Value of the salary and benefits aggregation scheme in euros**	**13,433,355**	10,416,073	20,210,081
102-35	including CNP Assurances France	**20,537,369**	N/A	N/A
102-35	**Value of the profit sharing scheme in euros**	**12,179,017**	11,300,147	11,127,609
102-35	including CNP Assurances France	**36,148,299**	N/A	N/A
401-2	**Amount of employer's contribution in euros**	**8,469,927**	7,484,431	7,041,740
401-2	including CNP Assurances France	**10,746,774**	N/A	N/A
401-2	**Portion of socially responsible investment in employee savings**	**99.95%**	62.70%	35.61%
401-2	including CNP Assurances France	**67%**	N/A	N/A

Includes amounts paid during the year in respect of the previous year

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

* Restated

√: indicator independently verified to a reasonable level of assurance

		2020	2019	2018
GRI	**FIGHT AGAINST DISCRIMINATION: GENDER EQUALITY AT WORK AND EMPLOYMENT OF DISABLED PERSONS**			
102-8	**Percentage of women in the workforce**	**61.34%**	61.48%*	61.36%*
102-8	including CNP Assurances France	**61.22%**	N/A	N/A
405-1	**Percentage of women in executive positions**	**57.11%**	56.81%*	56.57%*
405-1	including CNP Assurances France	**56.76%**	N/A	N/A
405-1	**Percentage of women in strategic executive posts √**	**39.19%**	37.64%*	36.91%*
405-1	including CNP Assurances France	**38.81%**	N/A	N/A
405-2	**Gender quality index**	**97**	97	77

The gender quality index only applies to employees of La Banque Postale. Employees from Financial Services and the Banking Advice Line are counted in the index for Le Groupe La Poste.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
405-1	**Percentage of women on the Executive Board of La Banque Postale**	**25%**	30%	31%
405-1	**Percentage of women on the Supervisory Board of La Banque Postale**	**40%**	33%	33%

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
405-1	Percentage of Employment Obligation Beneficiaries	**n.c.**	3.00%	2.94%

Rate calculated based on the AGEFIPH procedures, available after publication of this document.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
405-1	**Number of disabled employees supported**	**927**	924	888

Moreover, the percentage of Employment Obligation Beneficiaries is only calculated at the level of Le Groupe La Poste.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

		2020	2019	2018
GRI	**WORK ORGANISATION: OVERTIME, PART-TIME, ACCIDENTS AND ABSENCES**			
	Amount of overtime per employee in hours	**1.96**	2.48	2.91
	including CNP Assurances France	**1.85**	N/A	N/A

Includes the number of overtime hours declared by each employee under permanent contract and civil servants.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

* Restated

√: indicator independently verified to a reasonable level of assurance

GRI		2020	2019	2018
102-8	**Percentage of part-time employees in the workforce**	**8.03%**	8.60%	9.01%
102-8	including CNP Assurances France	**8.71%**	N/A	N/A

Includes part-time employees on permanent contracts and civil servants

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
	Number of home workers	**1,973**	1,647	705
	including CNP Assurances France	**3,864**	N/A	N/A

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
403-9	**Occupational accident rate**	**3.27**	4.54	4.63
403-9	including CNP Assurances France	**3.05**	N/A	N/A
403-9	**Occupational accident severity rate**	**0.15**	0.18	0.18
403-9	including CNP Assurances France	**0.16**	N/A	N/A
403-9	**Number of lost time days due to occupational and travel accidents per employee**	**0.49**	0.62	0.60
403-9	including CNP Assurances France	**0.51**	N/A	N/A

Includes accidents and days of work stoppage of employees on permanent contracts, civil servants and employees on temporary contracts.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
403-10	**Absenteeism due to illness**	**6.67%**	5.68%	5.63%
403-10	including CNP Assurances France	**6.45%**	N/A	N/A
403-10	**Number of days of work stoppage due to illness per employee**	**24.49**	20.91	20.52
403-10	including CNP Assurances France	**23.67**	N/A	N/A

Includes days of work stoppage of employees on permanent contracts and civil servants.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

		2020	2019	2018
GRI	**EMPLOYEE RELATIONS**			
102-41	**Number of collective agreements signed**	**26**	50	60
102-41	including CNP Assurances France	**36**	N/A	N/A

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

		2020	2019	2018
GRI	**TRAINING**			
	Number of training hours overseen managed by EBR for Le Groupe La Poste employees	**1,868,413**	2,199,834	1,995,000
404-1	**Number of training hours**	**859,912**	1,237,466	964,707
404-1	including CNP Assurances France	**893,413**	N/A	N/A
404-1	**Number of training hours per employee**	**31**	44	33
404-1	including CNP Assurances France	**29**	N/A	N/A

In 2020, 26,558 employees attended at least one training programme during the year.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
404-1	**Number of employees on banking courses leading to a qualification or diploma**	**412**	1,360	2,018

Includes employees in first and second years of banking courses leading to a qualification or diploma.
CNP Assurances France not included

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

6.3.4 Commitments to Society and the Regions indicators

The indicators in the following table supplement the social commitment section of this document.

		2020	2019	2018
GRI	**RESPONSIBLE PURCHASING**			
308; 414	**Number of responsible purchasing charters signed by suppliers**	**6,371**	4,812	4,486

In 2018, Le Groupe La Poste implemented a new IT system for its purchases, including those made by La Banque Postale. This approach required all of Le Groupe La Poste's suppliers, including those of La Banque Postale, to sign the responsible purchasing charter.
Please refer to the subsections on La Banque Postale's responsible purchasing approach in the Commitments to Society and the Regions section for further information.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
102-9	**Change in purchase rate from the subsidised/sheltered employment sector**	**-37%**	-1%	-8%

Change relative to the previous year.
Please refer to the paragraphs on diversity, disabilities and equal opportunity in the Commitment to Employees section for further information.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
GRI	**CIVIC COMMITMENT**			
203-1	**Financial commitment for patronage** (in euros)	**6,727,732**	6,984,075	5,911,058
203-1	including CNP Assurances France	**8,165,109**	N/A	N/A

The final figures for the current year will not be known until after the publication of this document.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI		2020	2019	2018
203-1	**Number of employees involved with *l'Envol***	**52**	133	90
413-1	**Number of young people benefiting from *l'Envol***	**520**	481	449

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

Territorial, economic and social impact and stakeholder relations

Please refer to the "Societal Commitment" and "Social Commitment" sections of this document, containing a section on La Banque Postale's relationships with academic institutions.

Compliance with the fundamental conventions of the ILO (International Labour Organisation)

Please refer to the end of the Societal commitment section of this document regarding compliance with fundamental labour rights for employees, suppliers and subcontractors.

Anti-corruption

Please refer to the end of the Management of non-financial Risks section about ethics.

Health and Safety of customers

Please refer to the Accessible Banking (combating banking exclusion) and Responsible Customer Relations (preventing over-indebtedness and support in the event of financial insecurity) sections of this document.

6.3.5 "Commitments to the Planet" indicators

The indicators in the following table supplement the social environmental commitment section of this document.

GRI		2020	2019	2018
GRI	**TOTAL CARBON FOOTPRINT OF LA BANQUE POSTALE (IN TCO_2EQ)**	**62,283**	**69,878***	**72,246***
	including CNP Assurances France	**65,920**	N/A	N/A
305-1	**Scope 1**	**18,892**	20,244	23,134
305-1	including CNP Assurances France	**19,639**	N/A	N/A
305-2	**Scope 2**	**1,874**	1,975	2,466
305-2	including CNP Assurances France	**3,435**	N/A	N/A
305-3	**Scope 3**	**41,517**	47,659	46,645
305-3	including CNP Assurances France	**42,846**	N/A	N/A

The carbon footprint takes into account the following sources of emissions: buildings, business trips/commutes, paper consumption and Data Centres. Starting in 2019, emissions from the Banking Advice Line have been included in the buildings, paper and travel/commute categories and in 2020 in the vehicles category

GRI	BUILDINGS	2020	2019	2018
302-1	**Energy consumed (in GWh)**	**181.34**	194.95*	225.06*
302-1	including CNP Assurances France	**202**	N/A	N/A
305-1; 305-2	**Emissions related to buildings (in tCO_2eq)**	**16,186**	17,342*	20,185*
305-1; 305-2	including CNP Assurances France	**17,993**	N/A	N/A
305-5	**Emissions avoided thanks to the 100% renewable electricity contract (in tCO_2eq)**	**5,479**	5,860*	6,651*
305-5	including CNP Assurances France	**5,479**	N/A	N/A
	Emissions per employee (in $kgCO_2eq$)	**583**	614*	697*
	including CNP Assurances France	**592**	N/A	N/A

Total energy consumption includes the consumption of electricity, natural gas, fuel oil, district heating, propane gas and fuel wood.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

The Banking Advisory Line is integrated on an accounting pro rata basis.

GRI	TRAVEL	2020	2019	2018
305-1	**Vehicle emissions (in tCO_2eq)**	**4,580**	4,877*	5,416*
305-1	including CNP Assurances France	**5,081**	N/A	N/A
305-1	**Emissions per vehicle (in tCO_2eq)**	**2.3**	2.4*	2.6*
305-1	including CNP Assurances France	**2.2**	N/A	N/A

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

14 of the 18 subsidiaries are included for vehicles except for KissKissBankBank & Co and Ma French Bank.
The Banking Advisory Line is included on a pro rata basis.

GRI		2020	2019	2018
305-3	**Emissions related to business travel by rail (in tCO_2eq)**	**17**	44*	53*
305-3	including CNP Assurances France	**24**	N/A	N/A
305-3	**Emissions related to business travel by plane (in tCO_2eq)**	**714**	1,523*	1,823*
305-3	including CNP Assurances France	**1,085**	N/A	N/A

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

11 of the 18 subsidiaries are included for business travel by plane except for BPE, DOMISERVE, EZYNESS, KKBB & CO, SOFIAP.
11 of the 18 subsidiaries are included for business travel by train except for DOMISERVE, EZYNESS, MA FRENCH BANK, KKBB & CO, SOFIAP.

* Restated

√: indicator independently verified to a reasonable level of assurance

GRI		2020	2019	2018
305-3	**Emissions related to employee commutes (in tCO_2eq) (including LCB)**	**36,609**	36,609	36,609*
305-3	including CNP Assurances France	**37,299**	N/A	N/A
	Scope: La Banque Postale	Financial Services	Banking Advice Line	Subsidiaries
305-3	**Emissions related to commutes (in tCO_2eq) (excluding LCB)**	**17,964**	17,964	20,397

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

These emissions are calculated using the results of the home-work survey of La Banque Postale employees conducted every two years. For the first time in 2019, the survey included the CO_2 emissions of Banking Advice Line employees.
These emissions were extrapolated to 2018 in order to produce a year-on-year comparison of the total carbon footprint of La Banque Postale across an identical scope.
Please refer to the paragraphs on the responsible mobility policy in the Commitments to the Planet section for further information.

GRI		2020	2019	2018
	Number of videoconference terminals	**261**	253	236
	Number of videoconference connections	**12,209**	43,913	48,110

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI – Standards		2020	2019	2018
305-3	**Data Centre Emissions (in tCO_2eq)**	**1,134**	2,940	1,555

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

GRI	RESOURCES	2020	2019	2018
301-1	**Paper consumption (in tonnes)**	**3,312**	7,119*	7,188*
301-1	including CNP Assurances France	**3,595**	N/A	N/A
305-3	**Emissions related to paper (in tCO_2eq)**	**3,043**	6,542*	6,606*
305-3	including CNP Assurances France	**3,304**	N/A	N/A
301-1	**Proportion of eco-friendly paper out of total paper consumption**	**99.7%**	99.4%*	99.5%*
301-1	including CNP Assurances France	**99.8%**	N/A	N/A
301-1	**Consumption of paper for internal purposes per employee (in kg)**	**10.8**	15.5*	15.2*
301-1	including CNP Assurances France	**12**	N/A	N/A
301-1	**Consumption of paper for external purposes per active customer (in kg)**	**0.32**	0.64*	0.65*
301-1	including CNP Assurances France	**0**	N/A	N/A

Paper is the main raw material used by La Banque Postale, which is mindful of the quality of the paper as well as the volumes consumed.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

10 of the 18 subsidiaries are included for paper except for DOMISERVE, EASYBOURSE, EZYNESS, MA FRENCH BANK, KKBB & CO, SOFIAP.
The Banking Advisory Line is integrated on an accounting pro rata basis.

* Restated

√: indicator independently verified to a reasonable level of assurance

GRI		2020	2019	2018
303-5	**Water consumption (in millions of litres)**	**362**	403*	469*
303-5	including CNP Assurances France	**384**	N/A	N/A
303-5	**Consumption per employee per day (in litres)**	**64**	70*	79*
303-5	including CNP Assurances France	**62**	N/A	N/A

With respect to La Banque Postale's business activities, only the water consumed by company restaurants and sanitary facilities is taken into account. La Banque Postale consumes only drinking water supplied by French town councils and is therefore not faced with the issue of depletion of water resources. However, as part of its policy of controlling the use of resources, reducing water consumption is a constant operating objective of each site and is covered by monitoring and reporting.

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

The Banking Advisory Line is integrated on an accounting pro rata basis.

GRI	CIRCULAR ECONOMY	2020	2019	2018
301-1	**Number of tonnes of waste paper collected by Recygo for recycling**	**770**	765	652
	including CNP Assurances France	**827.15**	N/A	N/A

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

Includes: the Bords de Seine II head office, the 19 Financial and National Centres and the DSI-BR. In 2018, the data does not include DSI-BR.

GRI		2020	2019	2018
301-1	**Collection of WEEE (Waste Electrical and Electronic Equipment) (in tonnes)**	**78.9**	88.9	70.3
	including CNP Assurances France	**83.3**	N/A	N/A

Scope: La Banque Postale | Financial Services | Banking Advice Line | Subsidiaries

* Restated

√: indicator independently verified to a reasonable level of assurance

6.4 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

This is a free English translation of the Statutory Auditor's 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 standards applicable in France.

In our capacity as Statutory Auditors of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (Comité français d'accréditation or COFRAC) under No. 3-1049[1], we hereby report to you on the consolidated non-financial statement for the year ended 31 December 2020 (hereinafter the "Statement"), established voluntarily by your Group, pursuant to the requirements of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

The Management Board is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available upon request at the entity's head office.

Independence and quality control

Our independence is defined by the requirements of Article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented quality control procedures that include documented policies and procedures whose purpose is to ensure compliance with the applicable legal and regulatory provisions, ethical rules and professional standards.

Responsibility of the Statutory Auditor appointed as independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of Article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with Article R. 225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

Our responsibility is also to provide a report expressing, at the request of the entity and outside of the scope of accreditation, a reasonable assurance conclusion that information selected by the entity, presented in Appendix and identified with the symbol √ in the chapter "6. Non-financial performance declaration (DPEF) – Corporate Social Responsibility (CSR)" has been prepared, in all material respects, in accordance with the Guidelines.

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A. 225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) applicable to such engagements and with ISAE 3000[2]:

- we obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- we assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L. 225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation set out in Article L. 22-10-36;

(1) Accreditation COFRAC Inspection, No. 3-1049, scope available at www.cofrac.fr

(2) ISAE3000: international standard on assurance engagements other than audits or reviews of historical financial information.

- we verified that the Statement provides the information required under Article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under Article L. 225-102-1 III, Paragraph 2 of the French Commercial Code;
- we verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- we referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented,
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix. Concerning certain risks[1], our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities[2];
- we verified that the Statement covers the scope of consolidation, i.e., all the consolidated entities in accordance with Article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- we obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 27% and 100% of the consolidated data selected for these tests;
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

Means and resources

Our work was carried out by a team of six people between November 2020 and March 2021 and took a total of approximately eight weeks.

We were assisted in our work by our specialists in sustainable development and Corporate Social Responsibility. We conducted interviews with the people responsible for preparing the Statement, representing General Management, Human Resources, Strategy and Development, among others.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Comments

Without modifying our conclusion and in accordance with Article A. 225-3 of the French Commercial Code, we have the following comments:

- due to the integration of CNP Assurances into La Banque Postale Group during financial year 2020 and as indicated in the Note on methodology:
  - the performance indicators are presented on the scope of La Banque Postale Group excluding the activities of CNP Assurances outside France, which represents 92% of the Group's consolidated workforce,
  - mitigation policies are presented on the scope of La Banque Postale Group excluding CNP Assurances, which represents 84% of the Group's consolidated workforce, for all risks with the exception of "Risk of unsuitability of insurance products and services with the consequences of a longer life expectancy and support for policyholders faced with health problems" and "Lack or failure to take ESG issues into account in the insurance business (product creation, underwriting, reinsurance)" which, for the latter, cover the activities of CNP Assurances.

(1) Image risks; Risk of delayed development due to new modes of consumption; Risks of social exclusion; Risks related to data confidentiality; Risks of financing for controversial projects in the regions; Risks of non-compliance with business ethics and ethical behaviour; Risk related to the inability to maintain and improve customer satisfaction, lack of transparency of offers to customers, risk of failure to provide advice (forced sale, etc.); Risk of unsuitability of insurance products and services with the consequences of a longer life expectancy and support for policyholders faced with health problems; Absence or failure to take ESG issues into account in the insurance business (product creation, underwriting, reinsurance); Risks of mismanagement of CSR commitments in the value chain; Risks of non-compliance with human rights; Risks of deterioration in relationships with suppliers; Climate risks.

(2) La Banque Postale Head Office, Véhiposte (a subsidiary of Le Groupe La Poste), Poste Immo (a subsidiary of Le Groupe La Poste), *École de la banque et du réseau*.

Reasonable assurance report on a selection of non-financial information

Nature and scope of our work

With regard to the information selected by the entity presented in Appendix and identified with the symbol √ in the chapter "6. Non-financial performance declaration (DPEF) – Corporate Social Responsibility (CSR)", we conducted the same procedures as those described in the paragraph "Nature and scope of our work" (for the most important non-financial information). However, these procedures were more in-depth, particularly regarding the number of tests.

Consequently, the selected sample represents between 90% and 100% of the information identified with the symbol √.

We believe that these procedures enable us to express reasonable assurance regarding the information selected by the entity and identified with the symbol √.

Conclusion

In our opinion, the information selected by the entity and identified with the symbol √ in the chapter "6. Non-financial performance declaration (DPEF) – Corporate Social Responsibility (CSR)" has been prepared, in all material respects, in accordance with the Guidelines.

Paris La Défense, 12 March 2021

KPMG S.A.

Anne Garans
Partner

Marie-Christine Jolys
Partner

Appendix

Qualitative information (actions and results) considered most important
Employees internal mobility plans
Measures taken with regard to health and well-being at work
Measures taken and collective agreements to fight discrimination
Deployment of services and products in favour of environmental stewardship
Policy and actions to reduce the environmental footprint of the Bank's activities
Measures taken to fight corruption and tax evasion
Commitments to Human Rights in the Supply Chain
Action plans to fight social exclusion
Actions in favour of regional development
Measures taken for the protection of personal data
Responsible investment policies
Customer satisfaction action plans
Responsible support systems as part of the insurance activities

Key performance indicators and other quantitative results considered most important	Level of assurance
Employee turnover rate	Limited
Number of days off work due to illness per employee	
Percentage of employees trained in the fight against money laundering and terrorist financing in the last two years	
Number of training hours per employee	
Total number of employees and breakdown by age and gender	
La Banque Postale total carbon footprint, including Scope 1, Scope 2 and Scope 3 emissions	
CO_2 emissions from commuting to and from work	
CO_2 emissions linked to the energy consumption of buildings per employee	
CO_2 emissions per vehicle	
Total responsible assets managed by LBPAM, including SRI (Socially Responsible Investment) funds and funds with other ESG approaches	
Percentage of SRI label funds in relation to eligible funds	
Level of exposure to climate risks of the Corporate and Investment Banking activity (corporate issuers pocket)	Reasonable
Share of women among strategic managers	
Number of *Formule Compte Simplicité* holders	

6.5 CROSS-REFERENCE TABLES

6.5.1 DPEF cross-reference table

Guide to Non-Financial Performance Declaration (DPEF) information

Items	Legislative framework	Page number
Business model	Articles L. 225-102-1 and R. 225-105, I of the French Commercial Code	398-401
Description of the main risks related to the business activity of the Company or the Group including, when relevant and proportional, the risks created by business relationships, the products or services.	Articles L. 225-102-1 and R. 225-105, I. 1° of the French Commercial Code	103-111; 401-404
Information on the manner in which the Company or the Group takes into account the social and environmental consequences of its business activity and the effects of this business activity in relation to respect for human rights and the fight against corruption (description of the policies implemented and reasonable diligence procedures implemented to prevent, identify and mitigate the main risks related to the business activity of the Company or the Group)	Articles L. 225-102-1, III, R. 225-104 and R. 225-105, I. 2° of the French Commercial Code	401; 404-405; 408-447
Results of the policies implemented by the Company or the Group, including key performance indicators	Articles L. 225-102-1 and R. 225-105, I. 3° of the French Commercial Code	406; 408-447
Social information (employment, work organisation, health and security, social relations, training, equal treatment)	Articles L. 225-102-1 and R. 225-105, II. A. 1° of the French Commercial Code	424-430; 453-457
Environmental information (general policy on environmental, pollution, circular economy, climate change matters)	Articles L. 225-102-1 and R. 225-105, II. A. 2° of the French Commercial Code	438-447; 458-461
Societal information (societal commitments in support of sustainable development, subcontracting and suppliers, fair practices)	Articles L. 225-102-1 and R. 225-105, II. A. 3° of the French Commercial Code	430-437; 457-458
Information related to the fight against corruption.	Articles L. 225-102-1 and R. 225-105, II. B. 1° of the French Commercial Code	423; 437
Information related to actions to promote human rights	Articles L. 225-102-1 and R. 225-105, II. B. 2° of the French Commercial Code	435-436
Specific information for companies operating at least one site as set out in Article L. 515-36 of the French Environmental Code (L. 225-102-2 of the French Commercial Code)	Article L. 225-102-2 of the French Commercial Code	N/A
Collective corporate agreements and the impacts of such agreements on the Company's economic performance and on working conditions for employees	Articles L. 225-102-1, III and R. 225-105 of the French Commercial Code	426-427
Certificate issued by the independent third party on the information presented in the DPEF	Articles L. 225-102-1, III and R. 225-105-2 of the French Commercial Code	462-465

6.5.2 Cross-reference table GRI, SDG and ISO 26000

Corresponding sections 2020 URD	Pages	Global Reporting Initiative	Sustainable Development Goals	ISO 26000
6.1 CSR issues and governance for La Banque Postale				
6.1.1 La Banque Postale's business model		102-5; 102-7		6.2
6.1.1.1 La Banque Postale, a wholly-owned subsidiary of Le Groupe La Poste	398			
6.1.1.2 Relationship with Le Groupe La Poste	398			
6.1.1.3 The multi-partner model	398			
6.1.1.4 Value creation for all stakeholders	398-399	102-16		6.2.3
6.1.1.5 A growth dynamic which reflects a changing environment	399			
6.1.1.6 CSR at the heart of La Banque Postale's business model, and a factor in its response to the Sustainable Development Goals	399-401	102-12	3,7,8,10,13	5.2.1
6.1.2 Materiality of the main non-financial issues and risks				6.6.3
6.1.2.1 Materiality of CSR issues	401	102-44; 102-47; 103-1		
6.1.2.2 The main non-financial risks for La Banque Postale	401-404	201-2; 102-15; 201-2		6.6.3
6.1.3 CSR governance and policy		103-2		5.2
6.1.3.1 A CSR policy based on the expectations of the Bank's stakeholders	405	102-44; 102-46;		6.2.2
6.1.3.2 La Banque Postale's governance in terms of Corporate Social Responsibility	405	102-18; 102-21; 102-26; 102-29; 102-31; 102-47		6.2.1; 6.2.3
6.1.4 Stakeholder dialogue		102-40; 102-42; 102-43; 102-44		5.3.2
6.1.4.1 Participation in consultations with consumer groups	406			5.3.3
6.1.4.2 Collaboration with the groups	406	102-13		5.3.3
6.1.4.3 Links with the local public sector and the social housing sector	406			5.3.3
6.1.4.4 Non-financial ratings	406			
6.1.4.5 Participation in sector studies	406	102-15		5.3.3
6.1.5 Company organisation		102-44; 103-2		7.4.1
6.1.5.1 Leadership of the CSR policy	407			7.5.1; 7.4.1
6.1.5.2 Awareness campaigns	407			7.4.1

Corresponding sections 2020 URD	Pages	Global Reporting Initiative	Sustainable Development Goals	ISO 26000
6.2 Banque Postale's CSR policy, diligence and results				
6.2.1 Commitment to customers				
6.2.1.1 Promote physical and digital access by all to all of our financial products and services	408-410	413-1	1,3,8,10	6.3.9; 6.7.8; 6.8.3; 6.8.6; 6.8.7
6.2.1.2 Facilitating access to credit	410-411	413-1	1,4,8,10,11	6.7.8
6.2.1.3 Combat banking exclusion with public and non-profit groups	411-412	102-13; 413-1	1,8,10,17	6.3.9; 6.7.8; 6.7.9; 6.8.3; 6.8.4; 6.8.7; 6.8.9
6.2.1.4 Contribute to furthering financial education with La Banque Postale's employees and partners	412		1,8,10	6.7.9; 6.8.3; 6.8.4
6.2.1.5 Guarantee an ethical and quality customer relationship	412-416		1,8,16	6.7.3; 6.7.4; 6.7.6; 6.7.7; 6.7.9; 6.8.4
6.2.1.6 Designing and proposing a responsible product and service offering	416-421	102-16; 203-1; 417-1	1,3,6,7,8.9,10, 11,12,13,14.15, 16	6.5.3; 6.5.4; 6.5.5; 6.3.4; 6.3.5; 6.6.3; 6.7.3; 6.7.5; 6.7.9; 6.8.3; 6.8.6; 6.8.7; 6.8.8; 6.8.9
6.2.1.7 Ensure systematic and rigorous management of non-financial risks	421-424	102-11; 102-15; 102-16; 102-17; 201-2; 205-1; 205-2	7,8,9,10,11,12, 13,14,15,16	6.5.3; 6.5.4; 6.5.5; 6.3.4; 6.3.5; 6.6.3; 6.6.4; 6.6.5; 6.7.5
6.2.2 Commitment to employees				
6.2.2.1 Supporting mobility and training employees	424-425	404-2	4,8,10	6.4.7; 6.8.4; 6.8.5
6.2.2.2 A comprehensive and competitive remuneration policy	425-426	102-36; 102-37; 201-3; 401-2	5,8,10	6.4.4
6.2.2.3 Dialogue and employee relations	426-427	102-42; 102-43; 102-44; 401-2; 402-1; 403-4; 407-1	1,8,10	6.3.7; 6.3.10; 6.4.3; 6.4.4; 6.4.5; 6.4.6
6.2.2.4 Promoting quality of life at work and employee well-being	427-429	403-1; 403-2; 403-3; 403-4; 403-5; 403-6; 403-7	3.8	6.4.4; 6.4.6; 6.4.7
6.2.2.5 Guaranteeing equal opportunity in hiring, careers and promotions	429-430		5,8,10	6.3.7; 6.3.10; 6.4.3; 6.4.4; 6.4.7
6.2.3 Commitments to society and the regions		413-1		
6.2.3.1 Encouraging the development of the responsible economy in all regions	431-435	203-1; 203-2	1.2,3.6,7.8,9.11, 12.13,16	6.5.3; 6.5.4; 6.8.3; 6.8.4; 6.8.5; 6.8.6; 6.8.8; 6.8.9
6.2.3.2 A committed procurement policy for suppliers	435-436	102-9; 203-2; 204-1; 308-1; 308-2; 407-1; 408-1; 409-1; 414-2	8,10,13,15,16.17	6.3.5; 6.4.3; 6.4.4; 6.5.4; 6.6.6
6.2.3.3 Promote employees' civic commitment	436-437	203-1; 203-2	4,10,17	6.8.3; 6.8.4; 6.8.9
6.2.3.4 Respecting and defending major international commitments	437	102-12; 205-1; 205-2; 408-1; 409-1; 411-1; 412-3; 414-2	10.16	6.3.3; 6.4.3; 6.4.4; 6.6.3; 6.6.4; 6.6.6

Corresponding sections 2020 URD	Pages	Global Reporting Initiative	Sustainable Development Goals	ISO 26000
6.2.4 Commitments to the planet				
6.2.4.1 La Banque Postale is committed to fighting climate change	438-443	301-2; 301-3; 302-3; 302-4; 302-5; 304-3; 305-5	7,11,12,13,15	6.5.3; 6.5.4; 6.5.5; 6.5.6
6.2.4.2 Manage the environmental footprint of its products and services	444-445	201-2	7,9,12,13	6.5.3; 6.5.4; 6.5.5
6.2.4.3 Promote the emergence of a circular economy	445-447	301-1; 301-2; 301-3; 305-5; 306-2	2,12,14,15	6.5.3; 6.5.4; 6.5.5
6.3 CSR indicators				
6.3.1 Note on methodology		102-48; 102-49; 102-50; 102-52		
6.3.1.1 Scope of non-financial reporting	447-449	102-45		
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6.3.1.3 Audit of CSR data	450	102-56		7.6.2
6.3.2 "Commitments to Customers" indicators	**451-452**			
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6.4 Report by one of the Statutory Auditors, named as an independent third party in the Consolidated Non-financial Performance Declaration of the management report	**462-465**	**102-56**		
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7.1 DOCUMENTS AVAILABLE TO THE PUBLIC

All documents made available to the public under the applicable legal conditions may be consulted at La Banque Postale's registered office at 115, rue de Sèvres, 75275 Paris Cedex 06 France. La Banque Postale's Universal Registration Documents are also available on the website: www.labanquepostale.com.

The Company's Articles of Association are included in this Universal Registration Document. All reports, letters and other documents, historical financial data, assessments and statements made by an expert at the Company's request, where a section is included or mentioned in this document, together with all financial information, including information related to the subsidiaries for each of the two years prior to the publication of this document, can be consulted on the La Banque Postale Group website, or otherwise by writing to the Company Secretary at the La Banque Postale's registered office.

7.2 SIGNIFICANT CHANGES

There has been no significant change in the Group's financial or commercial position since the close of the last financial year for which audited financial statements have been published, and specifically since the signing of the Statutory Auditors report on the consolidated financial statements dated 11 March 2021.

7.3 SIGNIFICANT CONTRACTS

To the best of La Banque Postale's knowledge, no significant contracts have been signed other than agreements entered into as part of the normal course of business, or in relation to the shareholder (as presented in Chapter 1, which provides an overview of the Group).

7.4 SITUATION OF DEPENDENCY

Not applicable.

7.5 REGULATION

7.5.1 Banking and insurance activities

La Banque Postale, a subsidiary of La Poste which holds the entirety of the share capital, is a French *société anonyme* (limited company) with Executive and Supervisory Boards, which was licensed as a lender bank by the French Credit Institution and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement* – CECEI) in 2005, and has been registered as an insurance intermediary by the French Insurance Intermediaries Registration Body (*Organisme pour le registre unique des intermédiaires en assurance, banque et finance* – ORIAS) since May 2007.

According to the bancassurance model, La Banque Postale meets the needs of all types of customers and provides a comprehensive banking, financial, savings and insurance offering:

- banking services: holding of postal current accounts and payment services, overdraft facilities, home and consumer loans, loans to businesses and the local public sector;
- financial instruments: holding of securities accounts, investment in financial securities, including units or shares of collective investment funds, and forward financial instruments;
- savings products: savings products subject to a specific tax regime, unregulated savings products, and employee savings products;
- insurance products through its subsidiary CNP Assurances: savings/pensions, personal risk, term creditor & guarantee, health, and property & casualty; and the non-life insurance subsidiaries: property & casualty, health, and death/disability.

La Banque Postale also offers payment services not linked to a bank account, such as postal mandates, and provides money transfer and manual currency exchange services.

Banking and related transactions, investment and related services, and savings products are regulated by the French Monetary and Financial Code.

Insurance products are regulated by the French Insurance Code.

Life insurance contracts are regulated by the French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR). The French Financial Markets Authority (*Autorité des marchés financiers* – AMF) may, however, be indirectly involved through certification of collective investments that may fund particular life insurance contracts.

Life insurance contracts may be subscribed to euro and unit-linked funds. In 2020, a period of low interest rates, the ACPR is ensuring in particular that life insurance contract plans are accurately represented for the purposes of investing in unit-linked funds, and that all subscriptions meet investors' needs.

Furthermore, France's Eckert law of 13 June 2014 relating to dormant bank accounts and escheated life insurance contracts requires an annual report to be sent to the ACPR outlining the number and value of life insurance contracts, as well as capitalisation bonds and contracts that meet the Ministry of the Economy's criteria, of which the share capital or annuities owed have not been paid to the beneficiaries.

These codified provisions, together with the non-codified legal and regulatory provisions, govern the activity of La Banque Postale in their respective fields.

La Banque Postale is also subject to the control of regulatory authorities: (i) the European Central Bank (ECB) and the ACPR, as part of the Single Supervisory Mechanism (SSM), and (ii) the AMF.

CNP Assurances, a subsidiary that is majority-owned by La Banque Postale, is supervised by the ACPR, France's insurance supervisory authority. As a company whose shares are traded on Euronext Paris, CNP Assurances is also supervised by the AMF, France's securities regulator.

CNP Assurances was floated on the Paris Stock Exchange on 6 October 1998. Its shares are admitted to trading on Euronext Paris in compartment A (ISIN FR0000120222).

The Single Supervisory Mechanism (SSM) and the Single Resolution Mechanism (SRM) are the two pillars of the European Banking Union. Established in response to the 2008 financial crisis, the Union's purpose is to increase the transparency, unity and security of the European banking sector.

- The SSM is the European banking supervision system that has been in effect since 4 November 2014. It comprises the ECB and the national supervisory authorities of the participating countries.

  Its main aims are to ensure the safety and soundness of the European banking system, to increase financial integration and stability, and to ensure consistent bank supervision.

  Together with the national authorities, the ECB has the authority to conduct prudential reviews, on-site inspections and investigations, to grant or withdraw banking licences, to assess banks' acquisitions and disposals of qualifying holdings, and to set higher capital requirements ("buffers") in order to counter any financial risks.

  The ECB directly supervises 115 major banks in participating countries.

  The potential risks faced by banking institutions are assessed and measured annually via the Supervisory Review and Evaluation Process (SREP). The elements examined at this time include the bank's activity profile, governance and risk management, capital risk, liquidity risk, and financial risk. The Joint Supervisory Teams (JST) reach a decision for each bank regarding the supervisory measures required under Pillar II.
- The SRM, created by the European Single Resolution Mechanism Regulation (SRMR) consists of the Single Resolution Board (SRB) and of the national resolution authorities of the participating countries. Its purpose is to guarantee the orderly resolution of failing banks to limit their impact on the economy, the financial system and public finances.

The SRB is tasked with expediting the decision-making process. It also plays a proactive and preventive role by preparing the banks' resolution plans and improving their resolvability in order to avoid the potentially negative impacts of a bank failure on the economy and financial stability.

The resolution measures may be funded by the Single Resolution Fund (SRF), which is financed by the contributions of the banks of the 19 Member States belonging to the Banking Union. The fund should reach its minimum target level of 1% of the guaranteed deposits of all of the Banking Union's credit institutions by 31 December 2023.

The Bank Recovery and Resolution Directive (BRRD), which defines the European system for bank resolution and recovery, provides for the creation and updating of preventive recovery plans in particular. La Banque Postale updates its preventive recovery plan and submits it to the ECB annually.

La Banque Postale is among the banks under the responsibility of the Brussels-based SRB, which is tasked with drawing up its resolution plan and setting out a Minimum Requirement for own funds and Eligible Liabilities (MREL) for it.

7.5.2 Mission to ensure banking accessibility

France's lawmakers entrusted La Poste with a General Interest Mission to ensure accessibility to banking[1], according to which its "public service and general interest missions" notably include "banking accessibility as described in the Monetary and Financial Code". The French Monetary and Financial Code thus stipulates that "in the banking, financial and insurance fields, La Poste shall offer products and services as widely as possible, particularly the Livret A accounts[2]". La Poste carries out this role via its subsidiary La Banque Postale, a credit institution[3].

The banking accessibility mission is exercised through Livret A accounts, which La Banque Postale has the obligation to open for "any person […] who so requests"[4] based on the principle of universality. The conditions for the operation and distribution of the Livret A for banking accessibility are defined in two agreements binding the State to La Poste and La Banque Postale, respectively.

France's Law on the Modernisation of the Economy of 4 August 2008 extended the distribution of Livret A regulated savings accounts to all banks as of 1 January 2009, whereas up until then only the "historical" networks (La Banque Postale, Caisses d'Épargne and, under certain specific conditions, Crédit Mutuel) were authorised to distribute this type of account. However, the law set out specific obligations for La Banque Postale in terms of the distribution and operation of the Livret A in respect of its banking accessibility mission, which are mentioned specifically as part of the aforementioned agreements:

- La Banque Postale has the obligation to open a Livret A account free of charge for any private individual, any association not subject to corporate tax[5], and any social housing body or association of co-owners that requests it;
- the minimum amount of individual cash withdrawal or deposit transactions is set at €1.50[6];
- La Banque Postale is obliged to allow holders of the Livret A to make payment and withdrawal transactions free of charge in all post offices where it offers these same transactions to holders of postal current accounts;
- La Banque Postale is obliged to authorise, on the Livret A, in accordance with the conditions set out in the general regulations applicable to savings accounts, all the transactions listed in the decrees of 4 December 2008 and 14 May 2010:
  - bank transfers of social security payments made by public authorities and social security bodies, and payments of pensions,
  - direct debits relating to the payment of income tax, council tax, property taxes, water, gas, and electricity bills, and subsidised housing rents payable to social housing associations;
- La Banque Postale is obliged to offer the following services free of charge: transfer to a current account by the holder of the Livret A (or their legal representative or agent) regardless of which institution holds the account, bank cheques issued in favour of the holder of the Livret A (or their legal representative or agent), and a cash withdrawal card that can be used in La Banque Postale ATMs.

This mission is essential for enabling the social insertion of a large number of people who, due to their habits, administrative situation, limited income or handicaps, are marginalised with respect to "traditional" banking use. As a result, it benefits 1.5 million people. At the end of 2020, nearly 49% of La Banque Postale's Livret A accounts held by retail customers, i.e., about 7.2 million accounts, had a balance of less than €150. These accounts, which amount to only 0.24% of savings deposits, nonetheless generate very substantial management costs because they are amongst the most used savings accounts, accounting for more than 45% of the transactions made on Livret A accounts (of which 50.6% withdrawals).

La Banque Postale has also undertaken, under the terms of the French law of 9 February 2010, as well as the banking inclusion and over-indebtedness prevention charter of the French Association of Credit Institutions and Investment Firms (*Association française des établissements de crédit et des entreprises* d'investissement[7] – AFECEI), to fight and prevent excessive debt and to promote micro-loans, in particular through its banking and budget support platform *L'Appui*.

(1) French law no. 90-568 of 2 July 1990 on the organisation of the public postal and telecommunications service, amended by Law No. 2010-123 of 9 February 2010 on the public company La Poste and postal activities.

(2) Article L. 518-25 of the French Monetary and Financial Code.

(3) Article L. 518-25-1 of the French Monetary and Financial Code.

(4) Article L. 221-2 of the French Monetary and Financial Code.

(5) As defined in Article 206 of the French General Tax Code.

(6) Article R. 221-3 of the French Monetary and Financial Code.

(7) Charter whose updated version was approved by French ministerial order on 16 September 2020.

In respect of these specific obligations which are incumbent on it in terms of the distribution and operation of the Livret A, La Banque Postale receives an annual "compensation in proportion to the public economic interest service role which is entrusted to it"[1].

This compensation is fixed, for the period 2015-2020, by order[2] of the French Ministry of the Economy and Finance issued in accordance with Article R. 221-8-1 of the French Monetary and Financial Code.

(in € millions)	2015	2016	2017	2018	2019	2020
Amount	235	355	340	320	350	330

On 24 October 2017, the European Commission approved the public service compensation granted to La Banque Postale in order to guarantee banking accessibility through the Livret A. The European Commission considered that the public financing granted by France to La Banque Postale from 2015 to 2020, intended to improve banking accessibility, is compliant with EU regulations on State aid.

In addition, the Consultative Committee for Financial Services (*Comité consultatif des services financiers* – CCSF) issued an opinion on 19 December 2019 "favourable to maintaining the banking accessibility system justifying the special mission entrusted to La Banque Postale via the Livret A for 2021-2026 […]" and notably deemed that "the mission is a balanced response to special and concrete usage requirements expressed by very specific populations that are sometimes in a situation of extreme vulnerability and are not currently covered by other banking accessibility systems".

7.5.3 Disclosure on dormant bank accounts (Eckert law)

Articles L. 312-19 and L. 312-20 of the French Monetary and Financial Code resulting from French law no. 2014-617 of 13 June 2014 on dormant and escheated accounts, known as the Eckert law, which came into effect on 1 January 2016, require credit institutions to issue annual disclosures on dormant accounts[3].

The table below presents the following information for La Banque Postale SA and its account-holding subsidiaries (excluding BPE) for their private individual/legal entity customers:

- the number of accounts which were closed and the assets deposited with the Caisse des Dépôts et Consignations in 2020;
- the number of accounts inventoried and the estimated assets at the end of 2020.

Savings accounts, including the Livret A, account for the majority of dormant La Banque Postale SA bank accounts.

	Dormant bank accounts closed in 2020	Dormant bank accounts at the end of 2020
Number of bank accounts		
LBP SA and subsidiaries	373,142	1,831,180
of which LBP SA	372,944	1,828,645
of which EasyBourse	0	262
of which LBP Épargne Salariale	198	2,273
of which Ma French Bank	0	0
Savings deposits (in € thousands)		
LBP SA and subsidiaries	163,677	1,511,056
of which LBP SA	163,159	1,503,019
of which EasyBourse	0	3,676
of which LBP Épargne Salariale	518	4,361
of which Ma French Bank	0	0

(1) Article R. 221-8-1 of the French Monetary and Financial Code.

(2) French ministerial order of 26 February 2015, amended by ministerial orders of 4 December 2017 and 13 March 2020.

(3) A bank account becomes dormant after a period of 12 months when its owner, legal representative, or proxy has not carried out any transactions or has not communicated with the institution. The 12-month period is increased to five years for savings account (Livret A, for example) and time deposit accounts as well as for ordinary securities accounts, PEA/PEA PME ETI. A bank account whose owner has died will become dormant if none of the beneficiaries of the deceased contact the institution to assert their rights to the assets and deposits within a period of 12 months following the death.

7.6 LEARN MORE ABOUT LA BANQUE POSTALE

Comprehensive information about La Banque Postale is available at www.labanquepostale.com.

This website provides an overview of La Banque Postale, its businesses, news, etc.

All financial information is available at https://www.labanquepostale.com/en/investors.html

This section of the website is completely dedicated to financial information. Information on all financial and institutional publications, financial press releases, the financial calendar, and presentations to investors can be downloaded from these pages.

ARTICLES OF ASSOCIATION 8

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The Articles of Association of La Banque Postale can be viewed on the website www.labanquepostale.com. The Articles of Association presented below are up to date as at the date of this document.

TITLE I. CHARACTERISTIC OF THE COMPANY

Article 1. Form

The Company was set up in the form of a French *société anonyme* (limited company) with a Board of Directors, and registered with the Paris Trade and Companies Registry.

It was converted into a *société anonyme* with an Executive Board and a Supervisory Board by a decision of the Ordinary and Extraordinary General Meeting of 12 December 2005.

The Company is governed by current laws and regulations, and specifically by the provisions applicable to it:

- of the French Commercial Code (*Code de commerce*) regarding commercial companies,
- of the French Monetary and Financial Code (*Code monétaire et financier*) regarding credit institutions,
- of French law no. 2005-516 of 20 May 2005 regarding the regulation of postal business,
- of French law no. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom, as amended by French law no. 2019-486 of 22 May 2019 on the growth and transformation of companies,
- in French government order no. 2014-948 of 20 August 2014 on the governance and corporate actions of public companies; and
- these Articles of Association.

Article 2. Corporate purpose

a) The corporate purpose of the Company, in France and abroad, is as follows:

- banking transactions, as defined in Article L. 311-1 of the French Monetary and Financial Code, and specifically loan transactions;
- transactions relating to banking transactions, as defined in Article L. 311-2 of the French Monetary and Financial Code;
- the execution of investment services, of order reception and transmission on behalf of third parties, of order execution services on behalf of third parties, of trades on its own account, of investment advisory services, of underwriting services, and of guaranteed placement and non-guaranteed placement services, within the meaning of Article L. 321-1 of the French Monetary and Financial Code covering financial instruments as a whole;
- services relating to investment services, as defined in Article L. 321-2 of the French Monetary and Financial Code.

b) The Company may also perform all transactions other than those listed above on a habitual basis, notably acting as an insurance intermediary, including insurance broking, in accordance with the provisions of the French Insurance Code (*Code des assurances*), under the conditions defined by a decree of the Minister in charge of the Economy and Finance.

c) The Company receives Livret A passbook deposits and distributes in accordance with the provisions of Article L. 518-25-1 of the French Monetary and Financial Code.

d) In general, the Company may perform all financial, commercial, industrial, securities or property transactions that may relate to the above businesses, directly or indirectly, or that may facilitate the performance of such transactions on its own account and on behalf of third parties, or in concert.

Article 3. Name

The Company's name is "La Banque Postale".

The Company's name must always be immediately and legibly followed by the words "Limited Company with Executive and Supervisory Boards", written in full, by a statement of the amount of the share capital, and by the place where and the number under which the Company is registered with the Trade and Companies Registry in all instruments and documents issued by the Company and intended for third parties, including letters, invoices, announcements, and miscellaneous publications.

Article 4. Registered office

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

It may be transferred to any other location in France by simple decision of the Supervisory Board, which shall be subject to ratification by the next Ordinary General Meeting.

In this case, the Supervisory Board shall also be authorised to amend the Articles of Association accordingly.

Article 5. Duration

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

Article 6. Share capital

The share capital is set at an amount of six billion five hundred and eighty-five million three hundred and fifty thousand two hundred and eighteen euros (€6,585,350,218).

It consists of eighty million three hundred and nine thousand one hundred and forty-nine (80,309,149) shares with a par value of €82 each, of a single category and fully paid up.

In accordance with the provisions of Article 16-II-1 of French law no. 2005-516 of 20 May 2005 on the regulation of postal business, La Poste owns a majority interest in the Company's share capital.

Article 7. Changes in the share capital

The share capital may be increased, decreased, or redeemed in accordance with current laws and regulations.

TITLE II. RIGHTS AND OBLIGATIONS OF THE SHAREHOLDERS

Article 8. Share payments – rights and obligations

Shares shall be paid up as provided for under current laws and regulations.

The amounts still payable on the shares to be paid up in cash shall be called up by the Executive Board. However, subscribers and shareholders may pay all or part of said amounts in advance, if they wish to do so.

Subscribers and shareholders shall be made aware of calls for funds by any means, at least fifteen days before the date set for each payment.

Any shareholder who does not make the payments required for the shares they own when these payments are due shall automatically be liable to pay a late interest charge to the Company at the legal rate.

In addition to a voting right, each share grants the right to ownership of the Company's assets, and to a share of the profits and liquidation premiums, which shall be proportional to the number of shares outstanding.

Whenever holding several shares is required in order to exercise any right, single securities, or a number of securities that is lower than the amount required shall not confer upon their owners any rights with respect to the Company; in this event, shareholders shall be personally responsible for combining their interests to obtain the number of shares required.

Article 9. Form of the shares

The shares are registered shares.

They shall be registered in individual accounts in accordance with the terms and conditions provided for by current legal and regulatory provisions.

Article 10. Disposal and transfer of shares

Ownership of the shares results from their being recorded in an individual account in the name of the holder(s) in the registers held for this purpose at the Company's registered office.

Share transfers shall be carried out by electronic transfer.

Except in the event of:

i) inheritance;

ii) liquidation of the matrimonial property scheme;

iii) disposal to a spouse, an ascendant or a descendant;

iv) disposal or transfer of shares to a private individual or a company that is already a shareholder; or

v) disposal of a share to an individual who is a member of the Supervisory Board; where there are no restrictions on transfer; the transfer of shares to a non-shareholder third party, regardless of the reason and in any form, is subject, in addition to compliance with French ministerial order of 4 December 2017 on the approval, changes in situation and withdrawal of approval of credit institutions and with the provisions potentially applicable to companies in the public sector, to the approval of the Supervisory Board, in accordance with the provisions of Article L. 228-24 of the French Commercial Code, under the following conditions:

- the seller must forward to the Company the approval request, including the first and last names and address of the buyer, the number of shares that they plan to sell, and the price proposed,
- the approval is granted (i) either by the seller being informed of the decision of the Supervisory Board, acting on a simple majority of its members present or represented, (ii) or within a period of three months from when the request was made, if there is no answer from the Supervisory Board,
- in the event that the suggested buyer is not approved, and unless the seller decides to abandon the planned sale, the Executive Board is required to have the shares purchased, either by a shareholder or by a third party, or by the Company, with the seller's agreement, within three months of the date when the refusal is notified, in order to reduce the share capital. The seller may abandon the planned sale on condition that they inform the Company via an extra-judicial instrument, or by registered letter with request for an acknowledgement of receipt within thirty (30) days of the date the Company notified the seller of the name of the buyer suggested by the Supervisory Board,
- if the purchase has not taken place when the three-month period provided for above expires, the approval is considered as having been granted. However, this period may be extended by a court ruling at the Company's request,
- if no agreement is reached between the parties in the sale scenarios listed above, the price of the shares shall be determined through an expert appraisal, under the conditions specified in Article 1843-4 of the French Civil Code (*Code civil*).

Shares issued for cash and shares representing contributions in kind are only marketable once the Company has been registered with the Trade and Companies Registry, and upon completion of a capital increase.

TITLE III. ADMINISTRATION AND CONTROL OF THE COMPANY

The Company is managed by an Executive Board, which performs its duties under the control of a Supervisory Board.

A. Executive Board

Article 11. Executive Board – Composition

The Executive Board consists of at least two and at most five members, who are appointed by the Supervisory Board.

The members of the Executive Board must be private individuals, who may be chosen from outside the Company's shareholders, and even among the Company's salaried employees. The members of the Executive Board must fulfil the conditions of good repute, knowledge, skills and experience required by the regulations applicable to companies exercising the business activities described in Article 2 of these Articles of Association.

If a member of the Supervisory Board is appointed to the Executive Board, that member's office shall lapse upon his or her taking up the new duties.

In the event that a seat falls vacant, the Supervisory Board must fill it within two months. The substitute member shall be appointed for the period remaining until the Executive Board is renewed.

Failing that, any interested party may apply to the President of the Commercial Court (*Tribunal de commerce*), acting in interlocutory proceedings, to make this appointment on an interim basis.

Article 12. Length of term of office – Age limit

The Supervisory Board appoints members of the Executive Board for a period of five years, which expires at the first Supervisory Board meeting held following the fifth anniversary of this appointment. The Executive Board is renewed in its entirety when the five-year period has elapsed.

Members of the Executive Board may be re-elected.

Any member of the Executive Board may be removed by the Supervisory Board, or by the General Meeting. In the event that the removed member has entered into an employment contract with the Company, the termination of his or her duties as a member of the Executive Board shall not result in the termination of this contract.

No private individual who has reached the age of 65 may be appointed as a member of the Executive Board, or be reappointed to this position.

When a member of the Executive Board reaches the age of 65, he or she is automatically considered to have resigned as from the date of the next meeting of the Supervisory Board, which shall decide on his or her replacement.

Article 13. Chairmanship of the Executive Board – Chief Executive Officers – Effective manager

13.1 Chairman

The Supervisory Board shall appoint one of the Executive Board members as Chairman.

The Chairman shall perform his or her duties for the duration of his or her term of office as a member of the Executive Board.

The Chairman shall represent the Company in its dealings with third parties.

The Supervisory Board may remove the Chairman of the Executive Board from his or her position as Chairman at any time, based on a majority vote of the members present or represented.

13.2 Chief Executive Officers

The Supervisory Board may assign the same power of representation to one or several members of the Executive Board, who shall then bear the title of Chief Executive Officer.

The Supervisory Board may remove the Chief Executive Officer(s) from his or her position as Chief Executive Officer(s).

The Supervisory Board may withdraw the powers of the Chief Executive Officer(s) to represent the Company in its dealings with third parties under the same conditions.

13.3 Effective managers

The effective manager role provided for in Article L. 511-13 of the French Monetary and Financial Code is exercised by all of the members of the Executive Board. They assume the duties entrusted to effective managers by banking regulations and must meet the conditions for good repute, knowledge, skills, and experience stated in Article L. 511-51 of the same Code.

13.4 Representation of the Company

Any action committing the Company towards third parties shall be duly performed by the Chairman of the Executive Board or by any other member who has been granted the title of Chief Executive Officer by the Supervisory Board.

The Chairman of the Executive Board, and the Chief Executive Officer(s), where applicable, are authorised to delegate part of their powers to any representative that they deem appropriate. They may in particular delegate any power to represent and commit the Company in its dealings with any third parties to a member of the Executive Board who has the skills required, pursuant to the division of duties set out under Article 13.5.

13.5 Division of management duties

Members of the Executive Board may divide the management tasks between them, with the authorisation of the Supervisory Board. However this division of powers may not prevent the effective managers, within the meaning of the banking regulations, from performing their tasks and fulfilling their remits and obligations as defined by the French Monetary and Financial Code. Moreover, it may not result in stripping the Executive Board of its role as a collective management body. The effective managers must effectively manage the Company's affairs. They shall also present the division of their respective powers to the Supervisory Board. Measures that each member of the Executive Board takes individually, within his or her area of responsibility, shall be deemed to have been accomplished collectively by the Board, and shall commit it in its entirety.

However, the Executive Board may decide that any action committing the Company beyond an amount that it shall determine on a regular basis must be authorised in advance by the Board itself. Failure to secure this approval may result in the individual concerned being personally liable towards the Company and its shareholders.

Article 14. Powers of the Executive Board

The members of the Executive Board shall manage the Company on a collective basis.

The Executive Board has been vested with the most extensive powers to act in the Company's name under all circumstances. It exercises these powers within the limits of the corporate purpose, and subject to those powers expressly granted to the Supervisory Board and to general meetings of shareholders by law and by these Articles of Association. It sets guidelines for the Company's business activities and ensures that they are implemented in accordance with the corporate interest, taking into account the social and environmental stakes of the business. It also takes into consideration, if applicable, the Company's *raison d'être*, as defined in application of Article 1835 of the French Civil Code.

In its dealings with third parties, the Company shall be committed even by actions of the Executive Board that are not related to the corporate purpose, unless it proves that the third party was aware that the action exceeded that purpose, or could not be unaware of this fact given the circumstances, the mere publication of the Articles of Association not being sufficient to constitute such proof.

The following corporate transactions and decisions are subject to the prior authorisation of the Supervisory Board:

- the approval of the strategic plan and of any significant changes thereto;
- investment and divestment decisions for amounts exceeding €50,000,000 in France and abroad, and relating to:
  - any projects involving the creation of subsidiaries or branches,
  - any contribution, merger, demerger, restructuring or asset transfer plans, including the transfer of all assets and liabilities,
  - any joint venture or capital-intensive partnership projects,
  - any acquisition, purchase of interests or disposal projects;
- decisions relating to the allocation of share subscription or purchase options, or of equivalent securities, to the corporate officers and/or managers, as well as the allocation of free shares;
- decisions relating to financing transactions for terms exceeding one year and having a significant impact on the consolidated balance sheet of La Banque Postale (in excess of €1 billion) or any issuance of debt securities falling within Tier 1 or Tier 2 (additional own funds) for an amount in excess of €500 million;
- draft resolutions to be submitted to the General Meeting of Shareholders, pursuant to Article L. 228-92 of the French Commercial Code, and relating to the issuance of marketable securities, giving access to other equity securities or giving the right to the allocation of debt securities or to the issue of marketable securities that give access to equity securities to be issued, and to the setting of the issuance terms and conditions for said marketable securities;
- dividend distribution proposals and related transactions.

At the request of the CDC Member mentioned in Article 19.1.1, the way in which the Company or its fully consolidated subsidiaries plan to vote at the general meetings of CNP Assurances is subject to the prior authorisation of the Supervisory Board under the conditions provided for in its internal rules.

The Executive Board shall present a report on the conduct of the Company's affairs to the Supervisory Board at least once a quarter.

In the three months following the close of each financial year, the Executive Board shall approve the statutory financial statements, and, where applicable the consolidated financial statements and the related management report, and present them to the Supervisory Board to be reviewed and checked. It will propose the appropriation of net income for the past year.

The Executive Board shall convene the General Meeting of Shareholders, set the agenda and execute the decisions made.

Article 15. Structure and operation of the Executive Board

The Executive Board shall meet as often as required in the Company's interests, on the invitation of its Chairman, the Chief Executive Officer, if any, or of at least half of its members, either at the registered office, or at any other location mentioned in the notice of meeting.

The agenda shall be set by the person convening the meeting, no later than the day before the scheduled meeting date. However, in the event of an emergency, the agenda may be set at the time of the meeting.

The notice of meeting may be communicated by any means.

The statutory auditors shall be invited to those Executive Board meetings at which the annual or interim financial statements are reviewed or approved.

A member of the Executive Board may ask another member to represent him or her.

The Chairman or, in his or her absence, a member who is present and appointed by the Executive Board and takes the title of Chairman, shall chair the meetings.

The presence of at least half of the members is required for the discussions to be valid, or the presence of both members, if the Executive Board consists of only two members. For the purpose of calculating the quorum and majority, members who take part in the Executive Board meeting by videoconference that comply with technical characteristics guaranteeing effective participation in the Executive Board meeting, where proceedings must be broadcast on an uninterrupted basis, shall be deemed present, except for the approval of the statutory and consolidated financial statements and the management report.

In the event of a tied vote, the Chairman shall have the casting vote.

Regardless of their form, the discussions of the Executive Board shall be recorded in minutes drawn up in a special register, or on serially numbered loose-leaf sheets. These sheets or the register shall be kept at the Company's registered office. They shall be signed by the Chairman and all the Executive Board members present, and shall be circulated to all members of the Executive Board.

Copies or excerpts of the minutes of the discussions are duly certified by the Chairman of the Executive Board, or by one of the members of the Executive Board or a person empowered for this purpose by the Executive Board.

Where applicable, the Executive Board ratifies the internal rules specifying its operating procedures.

Article 16. Remuneration of Executive Board members

The Supervisory Board shall set the remuneration method and amount for each member of the Executive Board in accordance with the applicable legal and regulatory provisions.

Article 17. Holding of multiple offices by Executive Board members

Members of the Executive Board must comply with the rules governing the plurality of offices as defined by the applicable legal and regulatory rules, and in particular the provisions of the French Commercial Code, and the French Monetary and Financial Code.

Any private individuals who find themselves in breach of the above provisions after having accepted a new office must resign from one of their offices within three months of their appointment.

Article 18. Liability of Executive Board members

Without prejudice to the specific liability that may arise from the Company entering court-ordered administration, the members of the Executive Board shall be liable, individually or jointly and severally, depending on the case, towards the Company or third parties, either for breaching the legal or regulatory provisions applicable to limited companies, or for breaching the Articles of Association, or for errors committed under their management.

B. Supervisory Board

Article 19. Supervisory Board

19.1 Composition

19.1.1 – The Supervisory Board consists of at least three and no more than eighteen members, including one-third of members representing the employees and, if applicable, a representative appointed by the State in accordance with the applicable legislative and regulatory provisions, as well as a member of the Board of Directors of La Poste appointed by the General Meeting, on the recommendation of Caisse des Dépôts et Consignations (the "**CDC Member**").

The members of the Supervisory Board must fulfil the conditions of legal capacity, skills and good repute required by the regulations applicable to companies exercising the business activities described in Article 2 of these Articles of Association.

Members of the Supervisory Board other than employee representatives are appointed from among private individuals or companies by the Ordinary General Meeting.

The General Meeting may remove any member of the Supervisory Board it has appointed at any time.

19.1.2 – The members of the Supervisory Board representing the employees are elected under the conditions provided for in Articles 7 to 9 of French government order no. 2014-948 of 20 August 2014 (in reference to Article 10-1 of French law no. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom).

Any employee representative may be removed for gross misconduct in the exercise of his or her office as a member of the Supervisory Board, by decision of the President of the court of justice ruling via expedited proceedings on the merits at the request of the majority of the members of the Supervisory Board.

19.2 Reappointment

The offices of all members of the Company's Supervisory Board shall end on the same day, at the end of a five-year term. During the existence of the Company, the members of the Supervisory Board may be reappointed under the applicable legal and regulatory provisions.

The members representing the employees are eligible for reappointment.

In the event that a Supervisory Board member's seat falls vacant, for any reason whatsoever, the replacement member shall only exercise his or her office for the period remaining until the renewal of the entire Board.

In the event that a new member is appointed to the Board by the General Meeting at a time other than the date on which the entire Board is renewed, the new member shall only hold his or her office for the period remaining until the renewal of the entire Board.

19.3 Restrictions on the holding of multiple offices

Members of the Supervisory Board must comply with the rules governing the plurality of offices as defined by the applicable legal and regulatory provisions and in particular by the provisions of the French Commercial Code and the French Monetary and Financial Code.

Any private individuals who find themselves in breach of the above provisions after having accepted a new office must resign from one of their offices within three months of their appointment.

19.4 Combining a corporate office with an employment contract

In accordance with the applicable legal provisions, the number of members of the Supervisory Board who have an employment contract with the Company may not exceed one-third of the serving members on the Board. The members of the Supervisory Board representing the employees are not included in this number.

19.5 Incompatibility – Restrictions

The performance of the office of a Supervisory Board member must not be incompatible with any public or professional duties they may hold.

No member of the Supervisory Board may be a member of the Executive Board. If a member of the Supervisory Board is appointed to the Executive Board, that member's office shall lapse when he or she takes up the new duties.

In addition, no one may be appointed to the Supervisory Board or remain on the Board if they are subject to a court order that results in them being prohibited from running or directing any firm or company.

19.6 Supervisory Board membership for legal entities

A legal entity may be appointed as a member of the Supervisory Board. The legal entity is required to appoint a Permanent Representative at the time it is appointed.

Permanent Representatives are subject to the same rules as members who are private individuals, particularly as regards restrictions and disqualifications, and the age limit.

If the legal entity withdraws its Permanent Representative's mandate, it must provide for his or her replacement at the same time. The same applies in the event of the death or resignation of the Permanent Representative. The legal entity must immediately notify the Company of the death or resignation, together with the identity of the member's successor, by registered letter with request for an acknowledgement of receipt.

19.7 Status of the members of the Supervisory Board representing the employees in application of French government order No. 2014-948 of 20 August 2014 (in reference to Article 10-1 of French law no. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom)

The office of Supervisory Board employee representative is incompatible with any other elected or appointed office involving the representation of employees' interests within the Company or its subsidiaries, and particularly with the positions of trade union representative, member or alternate member of the Social and Economic Committee. The aforementioned offices and their related protection shall lapse upon at the date the new office is taken up.

An employee representative's membership of the Supervisory Board is also incompatible with holding the position of full-time union representative. In the event of the appointment to the Supervisory Board of an employee who holds the position of full-time union representative at La Poste, the Company or its subsidiaries, his or her duties as representative shall be terminated and the person concerned shall resume his or her position as an employee.

Employee representative members of the Supervisory Board shall be granted a minimum period of 15 hours per month to fulfil their duties. The length of the Supervisory Board meetings is not deductible from this allowance, nor is the time spent on their training in company management.

The offices of employee representatives shall end automatically when they no longer fulfil the eligibility conditions set out in Article 15 of French law no. 83-675 of 26 July 1983 (amended) on the democratisation of the public sector.

Article 20. Shares held by members of the Supervisory Board

Members of the Supervisory Board are not required to own a minimum number of Company shares.

Article 21. Length of term of office – Age limit

Without prejudice to the application of Article 19.2 of these Articles of Association, members of the Supervisory Board are appointed for a period of five years. They may be reappointed.

No private individual or representative of a legal entity aged over seventy may be appointed, elected or reappointed as a member of the Supervisory Board. In addition, the number of Supervisory Board members who have reached the age of seventy may not exceed one-third of the serving members of the Supervisory Board.

If the proportion of one-third is exceeded due to the fact that a serving member of the Supervisory Board reaches the age of seventy, the oldest member of the Supervisory Board shall automatically be deemed to have resigned.

Article 22. Vacancy – Co-option – Ratification

In the event of a vacancy due to the death or resignation of one or more members appointed by the General Meeting, the Supervisory Board may replace them on a temporary basis. The appointment of the replacement members must be approved at the next General Meeting.

If the co-option is not ratified, the decisions made and the actions accomplished by the Supervisory Board or by this member during their management term would nonetheless remain valid.

When a seat is left vacant by an employee representative, the candidate on the list immediately after the last candidate elected, subject to the impact of any deletions in accordance with the applicable legal and regulatory provisions, shall be called upon to replace them. If the list in question is not sufficient to fill the vacancies, the seats that are not filled shall remain vacant up until the following election. However, if the number of vacancies exceeds half the employee representative seats, a partial election shall be organised, except during the remaining six months of the term of office.

Substitute members shall only hold their office for the period remaining until the renewal of the entire Supervisory Board.

If the number of Supervisory Board members falls below the legal minimum, the Executive Board must immediately convene an Ordinary General Meeting in order to appoint the required number of members.

Article 23. Board officers

The Supervisory Board shall elect a Chairman and a Vice-Chairman among its members. The Chairman, or in the absence of the Chairman, the Vice-Chairman, where applicable, is responsible for convening the Supervisory Board and directing its discussions. The Chairman and the Vice-Chairman, where applicable, shall hold their office for the duration of their term of office as a member of the Supervisory Board.

The Supervisory Board shall determine their remuneration, where applicable.

The Supervisory Board may appoint a secretary, who may be chosen from outside its members.

Article 24. Supervisory Board decisions – Minutes

24.1 Supervisory Board meetings

The Supervisory Board shall meet at the registered office or in any other location specified in the notice of meeting, as often as required in the Company's interests, and at least once a quarter, in order to review the Executive Board's report.

The Supervisory Board shall consider any matter included on the agenda by the Chairman or the Board, taking decisions on the basis of a simple majority.

The agenda may be set at the time of the meeting.

Supervisory Board meetings are convened by the Chairman, by any means.

In the event of the absence of the Chairman of the Supervisory Board, the Vice-Chairman may convene a Supervisory Board meeting by any means.

The Company's Social and Economic Committee shall be represented at the meetings of the Supervisory Board in accordance with the provisions of Article L. 2312-74 of the French Labour Code (*Code du travail*).

In addition, in the case provided for in the fifth paragraph of Article 14 of these Articles of Association, the Chairman must convene a Supervisory Board meeting at the request of the CDC Member.

A member of the Supervisory Board may give another member of the Board a proxy to represent him or her at any Supervisory Board meeting by letter, email, or fax.

Each member of the Supervisory Board may only have one proxy for a given meeting.

Under the conditions and subject to the exceptions provided by law, the Supervisory Board's decisions may be adopted by videoconference or through the use of all means of telecommunication or remote transmission that enable the members to be identified under the conditions set by the applicable legislation.

An attendance register is kept, which is signed by the Supervisory Board members taking part in the meeting. The presence of at least half the Supervisory Board members is required for the decisions to be valid. Members of the Supervisory Board who take part in the Supervisory Board meeting via videoconference, or by any of the means of telecommunication or remote transmission listed in the previous paragraph, shall be deemed present for the purpose of calculating the quorum and majority. The minutes shall mention the members of the Supervisory Board who took part in the Board meeting by videoconference or any other means of telecommunication or remote transmission. The attendance register can be kept in electronic form under the applicable legal and regulatory conditions.

Subject to the following paragraph, decisions are taken by a majority of members who are present or represented. Each member present or represented has one vote. The Chairman of the meeting has the casting vote in the event of a tied vote.

The authorisation mentioned in the fifth paragraph of Article 14 is provided by a majority of the members present or represented, including the vote of the CDC Member.

The Supervisory Board's decisions shall be recorded in minutes written in a special register or on serially numbered loose-leaf sheets. These sheets or the register shall be kept at the Company's registered office. They shall be signed by the Chairman of the meeting and one of the Supervisory Board members present. In the event that the Chairman of the meeting is unable to attend, they shall be signed by two members of the Supervisory Board. The minutes shall be provided to all members of the Supervisory Board. This special register can be held, and the minutes prepared, in electronic format under the applicable legal and regulatory conditions.

24.2 Written consultation

In accordance with Article L. 225-82 of the French Commercial Code, the Supervisory Board can take decisions within its powers provided for in the second paragraph of Article L. 225-65 and in Article L. 225-78 via a written consultation of its members.

The Chairman of the Supervisory Board must send to or provide each member of the Supervisory Board with a draft of the proposed decisions and the documents necessary to ensure that they are fully informed.

The members of the Supervisory Board have 10 days as of the receipt or provision of the draft decisions to send in their vote in writing, unless a shorter time-frame is requested by the Chairman of the Board in the event of an emergency. The vote for each decision must consist of the words "yes", "no" or "abstain". The answers of the Supervisory Board's members must be sent to the Company, for the attention of the Chairman of the Supervisory Board and/or the Secretary of the Board.

Any member of the Supervisory Board who has not answered within the time-frame stated in the previous paragraph will be deemed to have abstained. Likewise, in the event that there is no vote for one of the proposed decisions or in cases when the vote for one of the proposed decisions has not been clearly indicated, the member of the Supervisory Board will be deemed to have abstained for the decision in question.

All members of the Supervisory Board can request additional information from the Chairman within the response time-frame allocated.

The majority conditions set for decisions taken in accordance with Article 24-1 of these Articles of Association are applied in exactly the same way to written consultations.

The consultation is listed in the minutes, prepared and signed by the Chairman. The minutes provide the consultation procedure, the first and last names of the members of the Supervisory Board taking part in the vote, the documents and information provided to the members of the Supervisory Board, the draft decisions voted on and the results of the voting. A table summarising the votes for each decision and each Supervisory Board member must be attached to the minutes. The minutes must be submitted for the approval of the Supervisory Board at one of its subsequent meetings.

Article 25. Remit and powers of the Supervisory Board

The Supervisory Board exercises ongoing control over the management of the Company through the Executive Board, and grants the latter prior authorisation to enter into transactions that the Executive Board cannot perform without its authorisation, in accordance with Article 14 of these Articles of Association.

The Supervisory Board shall hold discussions on the Company's main strategic, economic, financial and technological orientations, and specifically on the corporate or programme contract, prior to the Executive Board's decisions.

The Supervisory Board shall perform the tasks assigned to the supervisory body pursuant to the French ministerial order of 3 November 2014 on internal control for companies in the banking, payment services and investment services sectors under the supervision of the French Prudential Supervision and Resolution Authority (ACPR).

In addition, the Supervisory Board shall authorise the disposal of the Company's shares to a third party, in accordance with the provisions of Article 10 of these Articles of Association.

The Board shall perform the checks and controls that it deems necessary at any time of the year, and may ask for disclosure of the documents that it considers necessary to perform its duties.

It shall authorise agreements, in accordance with the provisions of Article L. 225-86 of the French Commercial Code.

It shall present its observations on the Executive Board's report, and on the financial statements for the year to the Annual Ordinary General Meeting.

It shall decide on relocating the registered office in France, subject to the approval of this decision by the next Ordinary General Meeting.

The Supervisory Board may assign to one or more of its members any special duties for one or more determined purposes.

The Supervisory Board shall approve the internal rules specifying its operating procedures, and those of the special committees that it may have set up.

The Supervisory Board shall appoint, and may remove the members of the Executive Board.

The Supervisory Board shall propose the appointment or renewal of the statutory auditors to the General Meeting.

Article 26. Remuneration of Supervisory Board members

The General Meeting may award an annual fixed amount to the members of the Supervisory Board, as remuneration for their duties. This amount shall be recognised under operating expenses.

The Supervisory Board shall divide the remuneration allocated between its members in accordance with the applicable legal and regulatory provisions.

The remuneration of the Chairman and Vice-Chairman shall be determined by the Supervisory Board, in accordance with the applicable legal and regulatory provisions.

The Supervisory Board may award exceptional remuneration for special duties or tasks assigned to members of the Board. This exceptional remuneration is subject to the provisions of Article L. 225-86 of the French Commercial Code.

Expenses incurred by the members of the Supervisory Board in the exercise of their functions shall be reimbursed by the Company on production of substantiating documentation.

The members of the Supervisory Board representing the employees shall not receive any remuneration, without prejudice to the reimbursement of the expenses listed in the previous paragraph.

Article 27. Liability of Supervisory Board members

The Supervisory Board members are liable for personal errors committed in the performance of their duties. They shall not incur liability for management actions or for their outcome.

They may bear civil liability for the offences committed by members of the Executive Board, if they did not disclose them to the General Meeting when they became aware of them.

The members of the Supervisory Board representing the employees, elected within the framework of French government order 2014-948 of 20 August 2014 (in reference to Article 10-1 of French law no. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom as amended by French law no. 2019-486 of 22 May 2019) cannot in any event be declared jointly and severally liable with the members of the Supervisory Board representing the shareholders. Their liability shall be assessed paying due regard to the fact that their term of office is unpaid.

Article 28. Supervisory Board committees

The Supervisory Board may decide to set up Board committees responsible for assisting it, and shall determine the composition, special powers and potential remuneration of their members, who shall execute their tasks under its responsibility. The Chairman of each committee is appointed by the Supervisory Board.

The Supervisory Board shall in particular set up the committees provided for by the French Commercial Code and the French Monetary and Financial Code.

Article 29. Non-voting advisors

The Supervisory Board may appoint one or several non-voting advisors, whose remit is to assist the Supervisory Board in performing its control duties, and who take part in Supervisory Board meetings on a non-voting basis.

Each non-voting advisor is appointed for a period of one year, which is renewable indefinitely.

Non-voting advisors are not required to be shareholders, and their work on behalf of the Company may be remunerated as determined by the Supervisory Board.

TITLE IV. SHAREHOLDERS' MEETINGS

Article 30. General Meetings – Convening – Composition

General Meetings are convened by the Executive Board under the conditions determined by law, or, where applicable, by the Supervisory Board, the statutory auditors, or a corporate officer appointed by the President of the Commercial Court, acting in interlocutory proceedings at the request of one or several shareholders who represent at least 5% of the share capital.

The meetings shall take place at the registered office or at any other location in France specified in the notice of meeting.

The General Meeting meets at least once a year before 31 May in order to approve the statutory financial statements.

The notice of meeting is sent to shareholders no later than fifteen days before the meeting date, either via a standard letter, or via a registered letter with request for an acknowledgement of receipt or by email, in accordance with Article R. 225-63 of the French Commercial Code.

Where a meeting has been unable to deliberate validly, due to the lack of the required quorum, a second meeting, and where applicable, an extended second meeting shall be called in the same manner as the first meeting, and the notice of meeting shall remind the recipients of the date of the first meeting, and set out its agenda. The notice of meeting shall be sent at least ten days before the meeting upon the second call.

All shareholders may take part in the meetings, in person or by proxy, on presentation of proof of identity and of the ownership of their shares, in the form of a registered entry in their name in the Company's registers, made at least two days before the meeting. The Executive Board may cancel or shorten this time limit, but only for the benefit of all shareholders.

All shareholders may also vote remotely, according to the applicable legal and regulatory procedures.

Shareholders who take part in the meeting via videoconference, or via any other means that enables them to be identified, the nature and conditions for which are determined by French Council of State (*Conseil d'Etat*) decree, shall be deemed present for calculating the quorum and majority.

A shareholder may be represented only by his/her spouse, civil partner or another shareholder.

Corporate shareholders shall take part in meetings through their legal representatives or through any person the latter may appoint for this purpose.

The meetings are chaired by the Chairman of the Supervisory Board or, in his or her absence, by the Vice-Chairman specifically appointed for this purpose by the Supervisory Board. Failing this, the General Meeting shall appoint its own Chairman.

In the event that the meeting is convened by a statutory auditor or by a court-appointed representative, the General Meeting shall be chaired by the issuer of the notice of meeting.

The meeting officers shall appoint a secretary, who may be chosen from outside the members of the General Meeting.

Vote tellers' duties shall be fulfilled by the two members of the General Meeting who are present and accept to act as such, both for themselves and as proxies, and who hold the largest number of shares.

The General Meeting's discussions are recorded in minutes signed by the meeting officers in a special register in accordance with the law. Copies and excerpts of these minutes are duly certified under the conditions set by law. The register can be kept in electronic form under the applicable legal and regulatory conditions.

Article 31. General Meeting proceedings

Ordinary and Extraordinary General Meetings, deliberating under the quorum and majority conditions specified by the respective provisions that govern them, exercise the powers that are assigned to them by law.

TITLE V. FINANCIAL YEAR – FINANCIAL STATEMENTS – AUDIT

Article 32. Financial year

The financial year shall run for a period of 12 months beginning on 1 January and ending on 31 December.

Article 33. Appropriation of net income

If a distributable profit, as defined by law, is shown in the financial statements for the year, as approved by the General Meeting, the latter may decide to assign that profit to one or more reserves, for which the meeting sets the allocation and use, to allocate it to retained earnings, or to distribute it.

After having noted the existence of reserves available to it, the General Meeting may decide to distribute amounts drawn from those reserves. In this case, the decision shall expressly indicate the specific reserves from which the amounts are to be drawn.

However, dividends shall be deducted first from the distributable profit for the year.

The General Meeting has the power to grant each shareholder the option of payment of the dividend or interim dividend in cash or in shares, for all or part of the dividend or interim dividend distributed.

The procedures for paying dividends in cash are set by the General Meeting, or, failing that, by the Executive Board.

However, the dividend must be paid within a maximum period of nine months after the close of the financial year, unless that period is extended by a court order.

When a balance sheet drawn up during or at the end of the financial year, and audited by a statutory auditor, shows that the Company has made a profit since the close of the previous financial year, after recording the required depreciation and amortisation and provision charges, and after deducting prior losses, where necessary, as well as the amounts to be recorded under reserves pursuant to the law and to the Articles of Association, and taking retained earnings into account, an interim dividend may be distributed, before the approval of the financial statements for the year. The amount of this interim dividend may not exceed the amount of the profit thus determined.

The Company may not require shareholders to repay a dividend, unless it was distributed in breach of legal provisions, and the Company establishes that the beneficiaries were aware of the irregular nature of this distribution at the time it was made, or could not have been unaware of it, given the circumstances.

Any right of action in recovery shall expire three years after the dividends are paid. Dividends that are not claimed within five years of the payment date shall be forfeited.

Article 34. Statutory auditors

The Company is audited by at least two statutory auditors, who fulfil the legal eligibility conditions.

Each statutory auditor is appointed by the Ordinary General Meeting in compliance with the special regulations that apply depending on the Company's business activities.

Article 35. Government commissioner

A government commissioner may be appointed pursuant to the provisions of Article 15 of French government order no. 2014-948 of 20 August 2014 on the governance and corporate actions of public companies (in reference to Article 10-1 of French law no. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and France Télécom).

TITLE VI. DISSOLUTION – DISPUTES

Article 36. Dissolution

When the Company's term expires, or in the event of early dissolution, the General Meeting shall choose the method of liquidation and shall appoint one or more liquidators, whose powers it shall determine, and who shall fulfil their duties in accordance with the law.

The liquidator(s) shall represent the Company. Following the liquidation of the assets and the settlement of liabilities, the liquidator(s) shall distribute any available balance.

The remaining net assets following the redemption of the shares at their nominal value shall be shared among the shareholders in proportion to their interest in the share capital.

Article 37. Disputes

Any disputes on company-related issues that may arise during the life of the Company or upon its liquidation, either between the shareholders, the members of the Board, or the statutory auditors and the Company, or between the shareholders themselves, shall be judged in accordance with the law and subject to the jurisdiction of the competent courts.

SUPERVISORY BOARD CHARTER AND INTERNAL RULES

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9.1 SUPERVISORY BOARD MEMBERS' CHARTER 490

9.2 INTERNAL RULES OF THE SUPERVISORY BOARD OF LA BANQUE POSTALE 492

9.1 SUPERVISORY BOARD MEMBERS' CHARTER

At its meeting of 25 January 2006, La Banque Postale's Supervisory Board adopted this charter for Board members (the "Charter"), which sets out the rights, obligations and principles applicable to the members of La Banque Postale's Supervisory Board.

Article 1. Assumption of office

When they assume office, each member of the Supervisory Board is given a copy of the legal and regulatory provisions that apply to their position within La Banque Postale, a copy of the internal rules of the Supervisory Board and of the special committees set up within the Board, and this charter, as well as the provisions relating to the rights and obligations of Board members, as defined in Articles 7 to 13 of Section II, Chapter I, of the French law of 26 July 1983 on the democratisation of the public sector.

Article 2. Compliance with laws and regulations and the corporate interest

2.1 – Every member of the Board must be fully aware of their rights and obligations at all times. Specifically, they must understand and comply with the legal and regulatory provisions applicable within La Banque Postale, and with the provisions of the internal rules of the Supervisory Board and of the existing special committees.

2.2 – Every member of the Board shall act in the Company's corporate interest at all times. They shall abide by the principles listed in the Charter.

2.3 – Every member of the Board may, at any time, consult the Supervisory Board's Secretariat regarding the scope of the provisions governing the rights and obligations relating to their office.

Article 3. Holding of office – Guiding principles

Every member of the Board shall fulfil their duties with independence and loyalty, and in a professional manner, and shall undertake to take the measures required when they believe in good faith that they are no longer fully able to carry out such duties.

Article 4. Personal involvement

4.1 – Every member of the Board undertakes to devote all the time and attention their office requires to examine the matters submitted to the Board and the issues that are entrusted to them on a more specific basis, as well as to the work of the committee(s) of which they are a member. They undertake to take part in all the Supervisory Board meetings in an attentive and diligent manner, unless they are prevented from doing so.

4.2 – Every member of the Board is responsible for requesting the information that they believe is useful to them within the appropriate time frame, in order to be able to discuss it with the Board in full knowledge of the facts.

4.3 – Every member of the Board must familiarise themselves with the Company's business lines and specific features, its challenges, its values, and its regulatory environment. Every member of the Board must make every effort to update the knowledge they require to properly fulfil their duties.

Article 5. Duty to speak

5.1 – Every member of the Board has a duty to express the questions and opinions resulting from the fulfilment of their duties.

5.2 – In the event of a disagreement, they shall ensure that their position or proposals are expressly entered in the minutes of the discussions.

Article 6. Independence

6.1 – Every member of the Board undertakes to maintain their independence in their analyses, judgement, decisions and actions in all circumstances, and to reject any direct or indirect pressure that may be exercised on them.

6.2 – During their term of office, or after it has ended, members of the Board undertake not to accept any benefits of any kind from La Banque Postale or from related firms or companies, either directly or indirectly, which are likely to be considered to compromise their independence during their term of office or thereafter.

6.3 – Every member of the Board undertakes, during their term of office, to notify the Chairman of the Supervisory Board immediately of any situation involving the holding of multiple offices, within companies or other legal entities governed by French or foreign law.

Article 7. Potential conflicts of interest

7.1 – Without prejudice to the application of the provisions of the French Commercial Code relating to the control of related-party agreements, every member of the Board shall inform the Supervisory Board and its Chairman of any situation concerning them that is likely to create a conflict, even potential or temporary, with the interests of La Banque Postale or any of its subsidiaries, as soon as they become aware of it.

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

- abstain from taking part in the discussions and from any decision on the issues in question, if the conflict of interest is temporary;
- take all measures to end said conflict of interest, including tendering his or her resignation as a Board member to the Chairman of the Supervisory Board, if the conflict of interest is ongoing.

7.3 – In general, every member of the Board shall undertake to avoid any conflict that may arise between their material or moral interests and those of La Banque Postale or any of its subsidiaries.

Article 8. Confidentiality

8.1 – Every member of the Board personally undertakes to treat as strictly confidential the information they receive, the discussions in which they participate, and the decisions taken by the Supervisory Board, under the conditions set out in Article 8 of the Supervisory Board's internal rules.

8.2 – Every member of the Board shall refrain from using, revealing or disclosing, for their own benefit or for the benefit of any third party, any non-public information that they are aware of due to their capacity as a Board member regarding La Banque Postale or any of its subsidiaries, their activities or their projects.

Article 9. Effectiveness of the Board's operation

9.1 – Every member of the Board shall contribute, through their active participation, to the collective spirit and effectiveness of the work performed by the Supervisory Board and by any special committees set up within it, and to the tasks in which they participate.

9.2 – Every member shall make any recommendation that they believe will improve the operating procedures of the Supervisory Board, particularly within the context of any Supervisory Board meeting that addresses its operation. This also applies for any tasks they participate in for the special committees.

9.3 – Along with the other members of the Supervisory Board, every member shall strive to ensure that the oversight bodies fulfil their duties effectively, and without hindrance. Specifically, members shall ensure that they are informed of the implementation of procedures to ensure compliance with the laws and regulations within the Company.

9.4 – Every member shall ensure that, without exception, the positions adopted by the Supervisory Board are the subject of formal decisions, which are correctly reasoned and recorded in the minutes of its meetings.

9.5 – In the event that a member of the Supervisory Board ceases to be in a position to fulfil their duties in compliance with the Charter, whether of their own volition or for any other reason, they must inform the Chairman and the Board, seek solutions to resolve the situation and, failing that, step down from office.

Article 10. Endorsement of the Charter

Every member of the Supervisory Board shall endorse this charter as soon as they assume their office.

9.2 INTERNAL RULES OF THE SUPERVISORY BOARD OF LA BANQUE POSTALE

The Supervisory Board of La Banque Postale (the "**Company**") decided at its meeting of 25 January 2006 to adopt these internal rules of the Board (the "**Internal Rules**"), which are designed to supplement the articles of Title III of the Company's Articles of Association, particularly with regard to the functioning and organisation of the Supervisory Board and its relations with the Executive Board.

Article 1 – Powers of the Supervisory Board

The Supervisory Board exercises the powers granted to it by legal and regulatory provisions, and by the Company's Articles of Association.

The following corporate transactions and decisions are subject to the prior authorisation of the Supervisory Board:

- the approval of the strategic plan and of any significant changes thereto;
- investment and divestment decisions for amounts exceeding €50,000,000 in France and abroad, and relating to:
  - any projects involving the creation of subsidiaries or branches,
  - any contribution, merger, demerger, restructuring or asset transfer plans, including the transfer of all assets and liabilities,
  - any joint venture or capital-intensive partnership projects,
  - any acquisition, purchase of interests or disposal projects;
- decisions relating to the allocation of share subscription or purchase options, or of equivalent securities, to the corporate officers and/or managers, as well as the allocation of free shares;
- decisions relating to financing transactions for terms exceeding one year and having a significant impact on the consolidated balance sheet of La Banque Postale (in excess of €1 billion) or any issuance of debt securities falling within Tier 1 or Tier 2 (additional own funds) for an amount in excess of €500 million;
- draft resolutions to be submitted to the General Meeting of Shareholders, pursuant to Article L. 228-92 of the French Commercial Code, and relating to the issuance of marketable securities, giving access to other equity securities or giving the right to the allocation of debt securities or to the issue of marketable securities that give access to equity securities to be issued, and to the setting of the issuance terms and conditions for said marketable securities;
- dividend distribution proposals and related transactions.

At the request of a member of the Supervisory Board of the Company, who is also a member of the Board of Directors of La Poste appointed on the recommendation of Caisse des Dépôts et Consignations as provided for in Article 19 of the Company's Articles of Association (the "**CDC Member**"), the way in which the Company, or its fully consolidated subsidiaries plan to vote at the general meetings of CNP Assurances is subject to the prior authorisation of the Supervisory Board. In the event that the Supervisory Board does not grant its authorisation, the Executive Board of the Company can refer the disagreement to the General Meeting, in accordance with the provisions of Article R. 225-40 of the French Commercial Code.

Moreover, the Supervisory Board performs the duties assigned to it under the French Monetary and Financial Code and by the French ministerial order of 3 November 2014 on internal control for companies in the banking, payment services and investment services sectors under the supervision of the French Prudential Supervision and Resolution Authority (ACPR). Pursuant to these provisions, it adopts and regularly revises the general principles of the remuneration policy; in particular, it approves the overall risk limits and determines guidelines regarding the programme of periodic audit assignments, compliance obligations and the risk management function.

The Board may ask the Chairman, a member of the Board appointed for this purpose, or one of the committees provided for in Article 2, for verifications or specific information or any other assignments regarding specific matters.

Article 2 – Supervisory Board Committees

In order to prepare some of the Supervisory Board's work, the Board creates committees. It determines their composition and responsibilities and appoints the Chairman:

- Risk Committee;
- Financial Statements Committee;
- Appointments Committee;
- Compensation Committee;
- Strategy Committee.

Article 3 – Supervisory Board meeting attendees

3.1 Appointment of participants

In addition to the members of the Supervisory Board appointed in accordance with the applicable legal and regulatory provisions, the following persons may attend meetings of the Supervisory Board, in a non-voting role:

- the statutory auditors, who by law must be invited to attend any Supervisory Board meetings at which the Company's annual or interim financial statements are examined;
- the Secretary of the Social and Economic Committee, who must be invited to attend by law(1);
- the Government Commissioner(2);
- the members of the Executive Board;
- the Secretary of the Board;
- any person whose skills and expertise the Chairman may deem necessary to the accomplishment of the Board's tasks.

The persons thus invited may, like the members of the Supervisory Board, attend the Board meeting by the means and under the conditions stipulated in Article 5.4 hereafter.

Their attendance at the Board meeting shall be mentioned in the minutes of each meeting.

3.2 Chairmanship and Secretariat of the Supervisory Board

a) The Chairman, or the Vice-Chairman where applicable in the absence of the Chairman, directs the discussions and ensures compliance with the legal and regulatory provisions in relation to the Internal Rules. He or she may, if necessary, order an adjournment of the meeting.

b) The Board may appoint, under the conditions of Article 23 of the Articles of Association, a permanent secretary of the Company's Supervisory Board, with the following powers:

- organising meetings of the Supervisory Board, in accordance with the principles set out in Article 4 of these regulations, keeping an up-to-date schedule of meetings of the Board and preparing minutes reporting the proceedings of each meeting in accordance with the provisions of Article 6 of these Internal Rules;
- certifying any copy or excerpt of the minutes of the decisions of the Supervisory Board and of the proceedings of the Company's General Meeting;
- maintaining the register of share transfers and the Company's shareholder registers, keeping them up-to-date and certifying any copies thereof;
- maintaining the register of Supervisory Board minutes and the register of minutes of General Meetings; and
- in general, completing all legal filing, publication and registration formalities with the Trade and Companies Registry (RCS).

c) The Secretary of the Supervisory Board nominated, except in the case of absence, as meeting secretary at each Supervisory Board meeting, is in charge of maintaining the Supervisory Board attendance register, counting the votes and drawing up the minutes of the meeting under the responsibility of the Chairman of the Board.

Article 4 – Convening of Supervisory Board meetings

4.1 Convening

a) Frequency

The Supervisory Board shall meet as often as required in the Company's interests and at least once each quarter to review the Executive Board's report.

In addition, in the case provided for in the third paragraph of Article 1, the Chairman must convene a Supervisory Board meeting at the request of the CDC Member.

b) Form and content

The participants are invited to attend Supervisory Board meetings by any means, and for this purpose shall provide their contact details to the Secretary of the Board. Invitations are issued by the Chairman, or in the latter's absence, by the Vice-Chairman. They may be communicated by the Secretariat of the Board.

The notice of meeting shall indicate the date, venue and agenda of the meeting, and, where applicable, the necessary information to allow members of the Board to take part in meetings by the means referred to in Article 5.4 below. This latter information may, however, be specified subsequently by the author of the notice of meeting with the same formal requirements as the notice of meeting itself.

Meetings of the Supervisory Board shall take place either at the registered office or at any other location specified in the notice of meeting.

c) Provisional schedule

At the last Board meeting for the financial year, at the latest, the Supervisory Board shall draw up a provisional schedule of its upcoming meetings. This provisional schedule shall be updated by the Board secretary during the year.

4.2 Deadlines for convening meetings

A period of at least ten days must be observed between the date the notice is sent and the date on which the Supervisory Board meeting covered by said notice takes place.

However, the Chairman is authorised to add to or amend the agenda of a meeting convened previously by sending another notice before the planned date of the meeting, specifying the agenda items added or amended and confirming the date and venue of the meeting.

The Chairman may also, in case of emergency, convene an extraordinary meeting of the Supervisory Board on a given agenda. In this case, the minimum period of ten days does not apply. Exceptionally, in the case provided for in the third paragraph of Article 1, the Supervisory Board must meet as soon as possible following a request from the CDC Member and, in any event, within five calendar days as of the request.

(1) Pursuant to Article L. 2312-74 of the French Labour Code (*Code du travail*).

(2) A government commissioner may be appointed pursuant to the provisions of Article 15 of French government order no. 2014-948 of 20 August 2014 on the governance and corporate actions of public companies (in reference to Article 10-1 of French law no. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom).

4.3 Documents and information

The necessary and relevant internal documents to enable the participants to make an informed decision regarding the items on the agenda shall be sent by mail or by secure electronic means, if possible at the same time as the notice of meeting and, save in exceptional cases, at least six days before the date of the Board meeting.

The documents communicated to the participants shall be treated as strictly confidential, in accordance with the terms specified in Article 10 below, unless otherwise decided at the Supervisory Board meeting.

The minutes of the previous meeting shall be approved at the next ordinary Supervisory Board meeting.

Article 5 – Supervisory Board deliberations

5.1 Attendance register

An attendance register is maintained, which is initialled at the start of the meeting by the Supervisory Board members attending either in their personal capacity or in their capacity as proxy.

When persons participate in the Board meeting by the means referred to in Article 5.4 below, the attendance register shall be initialled on their behalf by the meeting Chairman with an indication of the means of participation of the persons concerned.

The attendance register can be kept in electronic form under the applicable legal and regulatory conditions.

5.2 Quorum for Board meetings and verification of the quorum

a) The quorum for the Supervisory Board meeting is reached when at least half the Board members are present. Members of the Supervisory Board who take part in the Supervisory Board meeting by the means referred to in Article 5.4 below shall be deemed present for the purpose of calculating the quorum.

The quorum shall be noted by the Secretary at the start of each meeting and recorded in the minutes of the meeting.

b) When the Supervisory Board deliberates on an agreement that is within the scope of application of Articles L. 225-86 *et seq*. of the French Commercial Code (related-party agreements), the Board members having an interest in the agreement are not included for calculating the quorum. In such cases, the Supervisory Board can only validly deliberate if half the Board members not having an interest in the agreement are present.

5.3 Powers

A member of the Supervisory Board may give another member of the Board a proxy to represent him or her at any Supervisory Board meeting by letter, email, or fax.

Each member of the Supervisory Board may only hold one proxy for a given meeting.

5.4 Decisions

Under the conditions and subject to the exceptions provided for by law, the Supervisory Board's decisions are adopted (i) either through the presence of the members at the meeting venue, (ii) or by videoconference or other means of telecommunication, or any other means authorised by the applicable regulations, that enable the members to be identified under the conditions set by the applicable laws and regulations except for the examination and review of the statutory and consolidated financial statements, or (iii) by a combination of these means, or (iv) in writing under the conditions provided for in Article 7.

If videoconference or telecommunications facilities are provided to enable all or some of the members to take part in the meeting, the Chairman of the Board shall ensure that the facilities thus implemented by the Company offer technical characteristics ensuring continuous effective participation and retransmission of the discussions. Otherwise, the Board members in question cannot be considered present and, due to the lack of a quorum, the meeting must be postponed.

It is the responsibility of each Board member or each participant to be equipped to take part remotely in the meetings via these facilities.

When voting on a related-party agreement as referred to in Article L. 225-86 of the French Commercial Code, those persons having an interest in the agreement shall make themselves known before voting on the decision and may not take part in the deliberations or in the vote in accordance with the applicable legal provisions.

5.5 Voting procedures

Voting in Supervisory Board meetings takes place by a show of hands.

Subject to the last paragraph, Supervisory Board decisions are taken by a majority of members who are present or represented and each member has one vote. In the event of a tied vote, the meeting Chairman shall have the casting vote.

Members of the Board who take part in the Supervisory Board meeting by the means referred to in Article 5.4 above shall be deemed present for the purpose of calculating the majority.

When voting on a related-party agreement as referred to in Article L. 225-86 of the French Commercial Code, those persons having an interest in the agreement shall make themselves known before voting on the decision and may not take part in the deliberations or in the vote in accordance with the applicable legal provisions. For this ballot, the majority is calculated taking into account only those members with voting rights.

Any member of the Supervisory Board who leaves a Board meeting when it is in progress is deemed not to have taken part in voting on the decisions put to the vote in his or her absence, unless he or she has given an explicit proxy to another member of the Board before leaving. This departure must be taken into account with regard to the quorum needed for the Board to be able to validly deliberate.

In the case provided for in the third paragraph of Article 1, the Supervisory Board's authorisation requires approval by a majority of members present or represented, including the CDC Member.

Article 6 – Minutes

6.1 Contents of minutes

The minutes of each meeting of the Supervisory Board shall mention the date, time and place of the meeting and state the meeting agenda. They shall indicate the names of the Board members, specifying whether they are present or participating in the meeting by the means referred to in Article 5.4 above, represented or absent and, where applicable, the names and job titles or positions of the other participants in the meeting. The minutes shall also mention, where applicable, any technical incident relating to videoconferencing, when said incident has disturbed the meeting proceedings.

The minutes report on the substantial presentations of each of the members of the Board and the other participants. They contain the full text of the decisions submitted to the vote of the members of the Board and list the departures referred to previously in Article 5.5 Paragraph 5. In the event of a vote on a decision, the minutes will report the result of the vote, detailing the number of votes for,

against and the abstentions and, if applicable, the opinion of any non-voting participants in the Board meeting. They specify whether the decision has been adopted or not as a result of this vote.

Where applicable, the minutes record statements, reservations or specific opinions that any Board member may ask to see entered in the minutes during the meeting.

6.2 Procedure for drawing up the minutes

As soon as possible following each meeting of the Supervisory Board, draft minutes containing all the information referred to in Article 6.1 above shall be drawn up by the Secretary of the Board.

This draft shall be forwarded to each Board member with the information and documents mentioned in Article 4.3 above relating to the next ordinary meeting.

The Board members may make their comments beforehand or at the Supervisory Board meeting, which establishes the final terms of the minutes allowing them to be copied into the legal register.

This formal approval does not prevent the possibility of establishing excerpts of the minutes between two meetings of the Supervisory Board.

6.3 Format of the minutes

The minutes are entered on consecutive pages in a special register or on serially numbered loose-leaf sheets kept by the Secretary of the Supervisory Board and kept by the latter at the Company's registered office.

After being approved by the Board, the minutes are signed by the meeting Chairman and at least one member of the Board present. In the event that the Chairman of the meeting is unable to attend, they are signed by two members of the Board. The minutes are provided to all members of the Supervisory Board.

This special register can be held, and the minutes prepared, in electronic format under the applicable legal and regulatory conditions.

6.4 Copies or excerpts produced as evidence or made public

Copies or excerpts of minutes to be produced as evidence or made public shall be certified true to the original by the Chairman of the Supervisory Board, the Vice-Chairman of the Supervisory Board, a member of the Executive Board or the Secretary.

They can be certified via an electronic signature under the applicable legal and regulatory conditions.

6.5 Confidentiality of the debates and the minutes

Minutes and all excerpts shall be confidential, under the terms specified in Article 10 below, except when their publication is required by law or by binding regulations, or except if the Supervisory Board decides otherwise.

This also applies to any position expressed during Supervisory Board meetings by any of its members or participants. By derogation, each member of the Board may freely state their personal position on the subjects discussed by the Board, except if such statements or positions mention information that is confidential.

Article 7 – Written consultation

In the cases provided for in law and under the conditions provided for in the Articles of Association, the Supervisory Board can take decisions via a written consultation of its members.

Article 8 – Supervisory Board and committee information

8.1 Each member of the Supervisory Board or committees may request any information necessary to accomplish their duties from the Executive Board.

8.2 Requests for information shall be sent to the Executive Board by the Chairman of the Supervisory Board, or, if the Chairman is absent or unavailable, by the Vice-Chairman, or by the Chairman of the committee in question. The Executive Board shall send the information and documents that it has obtained to the Board or committee making the request by return mail.

8.3 For this purpose, on their appointment, the members of the Executive Board shall become acquainted with the respective powers of the committees and agree to forward to the Supervisory Board, via its Chairman, the documents needed to perform its duties and to accept any request for information or the production of documents.

8.4 For application of the third paragraph of Article 1, the CDC Member is informed in writing of the intentions of the Chairman of the Executive Board about the way in which the Company or its fully consolidated subsidiaries intend to vote at the general meetings of CNP Assurances, at the latest within three business days of the publication in the *Bulletin des annonces légales obligatoires* of the draft resolutions presented to the shareholders of CNP Assurances.

Article 9 – Resources made available to the members of the Supervisory Board

9.1 The members of the Supervisory Board must have the necessary resources to perform their duties.

9.2 The Company shall ensure that the members of the Supervisory Board are able to send and receive all correspondence related to their duties, with a guarantee of confidentiality.

9.3 Every member of the Supervisory Board elected by the personnel shall have, for this purpose, a time credit of 35 hours per month to perform their duties.

Article 10 – Duty of confidentiality

10.1 Every member of the Supervisory Board and any person taking part in a meeting of the Supervisory Board is required to observe the utmost confidentiality with regard to the documents and information of which they have knowledge when performing their duties and may not disclose it, in any way whatsoever, to any third party.

10.2 In particular, except for documents for which the Chairman explicitly authorises disclosure to third parties, the documents and exhibits forwarded to Board members before Supervisory Board meetings, or during or as a consequence of said meetings (or outside any meeting, within the more general framework of the Board members' performance of their duties), are strictly confidential and may not be disclosed to third parties in any way whatsoever.

10.3 If necessary, these documents may be marked as confidential as a reminder. The absence of such an indication may not under any circumstances be deemed a derogation from the rule of confidentiality.

10.4 Regarding confidential transactions, the Chairman is not required to provide written information to the Board members. He or she may thus choose to communicate the information in question orally at Board meetings intended to provide knowledge of these plans. Board members and participants are in that case required to preserve the oral nature of the information thus transmitted, and may not report it to third parties or disclose it.

10.5 The confidentiality rules summarised in the Internal Rules apply in the same terms to the Board members and to any person called upon to take part in the work of the Supervisory Board, in any capacity.

10.6 Failure to comply with the obligation of confidentiality mentioned in this article exposes the Board member or participant at fault to a civil suit for damages brought by the Company, without prejudice to any other legal action which could also be considered.

Article 11 – Liability of Supervisory Board members

11.1 The Supervisory Board members are liable, under civil and criminal law, for the faults they commit when performing their duties under the conditions set by the applicable legislation.

11.2 The members of the Supervisory Board representing the employees, elected within the framework of French government order 2014-948 of 20 August 2014 (in reference to Article 10-1 of French law no. 90-568 of 2 July 1990 on the organisation of the public service mission of La Poste and on France Télécom) cannot in any event be declared jointly and severally liable with the members of the Supervisory Board representing the shareholders. Their liability shall be assessed paying due regard to the fact that their term of office is unpaid.

Article 12 – Compensation of the members of the Supervisory Board – reimbursement of expenses

12.1 The General Meeting that approves the annual financial statements may determine a total amount of compensation which may be awarded to Board members for their duties performed in the current financial year and in subsequent financial years, until a further decision.

The Supervisory Board distributes this amount among the Board members except for the members representing the employees, who perform their duties on a non-remunerated basis, in accordance with the applicable law and regulations.

12.2 The Board members representing the employees and those representing the shareholders are entitled, upon presentation of substantiating documents, to the reimbursement of travel and travel-related expenses they have reasonably incurred in the performance of their duties.

The Board can allocate to the members of the Board representing the employees an annual operations budget to cover, upon presentation of substantiating documents, the expenses incurred by the members to attend non-Board meetings, to visit departments, to take part in training which is not organised by La Banque Postale, to purchase office supplies and small equipment and to cover expenses directly related to the performance of their duties.

Article 13 – Effective date and changes to the internal rules

13.1 The Internal Rules came into effect on 25 January 2006. They were revised by the Supervisory Board on 29 March 2007, 16 December 2014, 19 February 2016, 15 April 2016, 25 May 2016 and 4 March 2020.

13.2 Any amendment of the Supervisory Board's Internal Rules is adopted by a majority vote of the Board members present or represented, under the conditions summarised above.

Exceptionally, any changes to the third paragraph of Article 1 and to the provisions referring thereto are passed by a majority of the members of the Board present or represented, including the favourable vote of the CDC Member.

Article 14 – Communication of the internal rules

14.1 These Internal Rules and the internal rules of the committees, together with the Board Members' Charter, appended to the Internal Rules, which they must endorse by signing the membership agreement attached in appendix, shall notably be communicated to every member of the Supervisory Board at the time of their appointment.

14.2 These regulations are also communicated to the members of the Executive Board when they are appointed.

14.3 The members of the Supervisory Board and/or the Executive Board may also consult them at any time by contacting the Secretary of the Supervisory Board.

14.4 At each meeting of the Supervisory Board, the Internal Rules are made available to anyone taking part in the meeting, particularly the invited persons mentioned in Article 3.1 above, to whom the Internal Rules are applicable.

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS 10

GENERAL MEETING FOR THE APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

This is a free translation into English of the statutory auditors' special report on related-party agreements issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as statutory auditors of La Banque Postale, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R. 225-58 of the French Commercial Code (*Code de commerce*), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R. 225-58 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements to be submitted for the approval of the General Meeting

In accordance with Article L. 225-88 of the French Commercial Code, we were informed of the following agreements entered into during the year that were authorised in advance by the Supervisory Board.

1. Binding Memorandum of Understanding between Natixis Investment Managers, Ostrum Asset Management, Sèvres LBP 1 and La Banque Postale Asset Management, to which Natixis Investment Management Finance, Natixis, BPCE and La Banque Postale are also parties

Nature, purpose and conditions

On 17 June 2020, the Supervisory Board approved the signature of a Memorandum of Understanding between Natixis Investment Managers, Ostrum Asset Management, Sèvres LBP 1 and La Banque Postale Asset Management, to which Natixis Investment Management Finance, Natixis, BPCE and La Banque Postale are also parties, setting the framework for the reorganisation of the asset management businesses of the two groups, referred to as operation "Yellow/Alpha".

The Memorandum of Understanding was signed on 28 June 2020. It sets out the main principles and procedures for the project. The transaction was completed on 31 October 2020.

Interest for the Company

The purpose of this agreement is to create a European insurance platform and build a division to drive growth and profitability for the Group within private banking, wealth management, alpha asset management and real estate.

Persons concerned

The persons concerned by this agreement are Rémy Weber, Chairman of the Executive Board at the date of the approval, Marc Batave and Tony Blanco, members of the Executive Board.

2. Sale of Sèvres LBP 2 shares

Nature, purpose and conditions

On 17 June 2020, the Supervisory Board approved the sale by La Banque Postale and SF2 to La Banque Postale Asset Management of the 3,700 shares making up the capital of Sèvres LBP 2.

This sale is one of the first steps in operation Yellow/Alpha. It was carried out during the year without generating any earnings.

Interest for the Company

The sale is part of the reorganisation of the Group's asset management business.

Persons concerned

The persons concerned by this agreement are Rémy Weber, Chairman of the Executive Board at the date of the approval, Marc Batave and Tony Blanco, members of the Executive Board.

Agreements already approved by the General Meeting

In accordance with Article R. 225-57 of the French Commercial Code, we were informed of the following agreements, approved by the General Meeting in previous years, which were implemented during the year.

1. Binding Memorandum of Understanding between the French State, Caisse des Dépôts et Consignations, La Poste and La Banque Postale

Nature, purpose and conditions

On 30 July 2019, the Supervisory Board approved the signature of a binding Memorandum of Understanding between the French State, Caisse des Dépôts et Consignations (CDC), La Poste and La Banque Postale with the aim of creating a major public bancassurance division around La Banque Postale and CNP Assurances ("operation Mandarine"). The Board also approved the conclusion of all associated documentation, notably the signing of a binding agreement between the State, CDC and La Banque Postale regarding the purchase by CDC of shares in the company SFIL.

The Memorandum of Understanding was signed on 31 July 2019. It provides for the main principles for forming the public bancassurance division. The transaction was carried out in 2020, in accordance with the decisions of a General Meeting held on 4 March.

Interest for the Company

This transaction enables the bank to adopt a complete bancassurance model and contribute to its development, with strengthened momentum for the new entity.

Person concerned

The person concerned by this agreement is Nathalie Dieryckxvisschers, as the representative of the French State on the Supervisory Board.

2. Interim shareholders' agreement concerning CNP Assurances

Nature, purpose and conditions

On 18 December 2019, the Supervisory Board approved the signing of an interim shareholders' agreement for CNP Assurances between the French State, Caisse des Dépôts et Consignations, Sopassure and La Banque Postale, in order to maintain the rights and obligations of the parties between 1 January 2020 and the completion date of operation Mandarine.

The interim shareholders' agreement was signed on 20 December 2019, for application from 1 January 2020. It ceased to have effect on 4 March 2020, when operation Mandarine was completed.

Interest for the Company

This agreement was signed as part of the project to build a public bancassurance division, the interest of which is specified in the description of the previous agreement.

Persons concerned

The persons concerned by this agreement are Marie-Anne Lavergne, as representative of the French State on the Supervisory Board, Rémy Weber, Chairman of the Executive Board at the approval date, and Philippe Wahl, Chairman of the Supervisory Board.

3. Memorandum of Understanding with CNP Assurances regarding life and endowment insurance, term creditor insurance and personal risk insurance

Nature and purpose

On 9 December 2015, the Supervisory Board authorised the renewal of the partnership with CNP Assurances and the conclusion of a distribution agreement concerning group term creditor insurance policies. A non-binding Preliminary Memorandum of Understanding was signed on 18 December 2015.

Terms and conditions

The purpose of the preliminary Memorandum of Understanding was to define the principles to be implemented within the framework of the negotiation of final contracts pertaining to the Draft Renewed Partnership Agreement, built around three major components:

- the renewal of a ten-year partnership agreement with CNP Assurances, according to revised terms and conditions;
- the buyback of the entire interest held by CNP Assurances in La Banque Postale Prévoyance;
- the conclusion of a distribution agreement with CNP Assurances on group term creditor insurance policies.

The general framework memorandum between CNP Assurances and La Banque Postale and its related agreements were signed on 25 March 2016.

Pursuant to the terms of these agreements, La Banque Postale:

- received €636 million in commission from CNP Assurances in 2020 for the distribution of insurance policies;
- recorded income of €6.7 million for the additional commission provided for in the agreement. The commission, of an initial amount of €75 million, of which €44.5 million is yet to be recorded as income, is based on the projection of a reference business plan agreed on between the parties for a period up until the expiry of the contract (2025). It could be adjusted in line with the achievement of this business plan.

The persons concerned by this agreement are: Philippe Wahl, Chairman of the Supervisory Board of La Banque Postale, Director of CNP Assurances and Rémy Weber, Chairman of La Banque Postale's Executive Board, Director of CNP Assurances.

4. Framework Memorandum of Understanding between La Banque Postale, Malakoff Médéric, La Mutuelle Générale and La Banque Postale Assurance Santé in relation to health insurance

Nature and purpose

On 20 January 2015, the Supervisory Board approved the conclusion of a Framework Memorandum of Understanding between La Banque Postale, acting jointly with SF2, Malakoff Médéric (MM), La Mutuelle Générale (LMG) and La Banque Postale Assurance Santé (LBPAS), on health insurance.

Terms and conditions

The Framework Memorandum of Understanding was signed on 3 April 2015, along with the Health Insurance Agreement, which was entered into between La Banque Postale, SF2, LMG, Malakoff Médéric Assurance (MMAss), Malakoff Médéric Santé (MMS) and LBPAS.

The Health Insurance Agreement provides that LMG and MMAss together hold 49% of the share capital and voting rights of LBPAS and that La Banque Postale holds 51%.

This agreement notably defines (i) the objectives and scope of the partnership agreement over all of the health insurance activities, (ii) the operational and commercial model for the Small Group Insurance Offer (*offre petites assurances collectives*), (iii) the terms for implementing Additional Opportunities (*opportunités additionnelles*), and (iv) the financial elements over all of the health insurance activities.

The term of the agreement is 15 years, renewable for five-year periods.

According to the terms of this agreement, LBPAS has exclusive rights to supply products developed by the new group and La Banque Postale is the exclusive distributor for LBPAS on its distribution channels, in metropolitan France and the overseas territories, without preventing LBPAS from distributing the exclusive products through other channels authorised by La Banque Postale. Also, LBPAS may distribute the exclusive products through Remote Health Insurance Platforms.

The terms relating to the governance of LBPAS and the rules for the transfer of LBPAS securities are included in a new shareholders' agreement signed by La Banque Postale, SF2, LMG, and MMAss in the presence of LBPAS (the "LBPAS agreement"), which will take effect as from the Completion Date, replacing the Initial Agreement which shall terminate on the aforementioned date.

An amendment to this agreement was concluded on 17 January 2017; it was approved by the Supervisory Board on 13 December 2017. It provides for an exception to the exclusivity commitments defined by the framework Memorandum of Understanding to authorise La Banque Postale to:

- market group health insurance contracts developed by MM Prévoyance and Quatrem; and
- put its client companies in contact with MM Prévoyance and Quatrem for the marketing of MM health contracts insured by Malakoff Médéric Prévoyance and Quatrem.

Pursuant to this Framework Memorandum of Understanding and its first amendment, La Banque Postale received a commission related to the distribution of this new group's products, representing €9.3 million for the financial year ending 31 December 2020.

The person concerned by this agreement and its amendment is Rémy Weber, Chairman of La Banque Postale's Executive Board, and Director of La Banque Postale Assurance Santé at the date of the approval of this agreement.

5. La Banque Postale's commitments to grant compensation to Rémy Weber in the event of loss of office

Nature and purpose

Subject to the approval of the Minister of the Economy, on 27 February 2018, the Supervisory Board authorised severance compensation to be paid to the Chairman of the Executive Board in the event of loss of office.

This commitment renews La Banque Postale's commitment to Rémy Weber regarding the awarding of severance compensation in the event of loss of office approved by the Supervisory Board on 15 October 2013.

Executives concerned

Rémy Weber, Chairman of La Banque Postale's Executive Board

Terms and conditions

Subject to the approval of the Minister of the Economy and the fulfilment of the performance condition set out below, in accordance with and under the conditions provided for in Article L. 225-90-1 of the French Commercial Code, severance compensation will be paid to Rémy Weber, Chairman of the Executive Board, except in the case of gross misconduct or gross negligence having a material impact on the Company's financial position, in the following cases:

- dismissal during his term of office;
- merger, change of control or change of strategy leading to his departure.

Payment of this severance compensation will be subject to fulfilment of a performance condition, requiring a success rate of 80% or above in meeting the annual targets set by the Executive Board, as defined by the Supervisory Board, for two out of the last three full financial years.

The severance compensation will be equal to a maximum of twice his fixed annual remuneration as at the date of loss of office.

Rémy Weber left his position on 3 August 2020; he did not receive any compensation under this commitment.

6. La Banque Postale's commitment granting compensation to Marc Batave in the event of loss of office

Nature and purpose

Subject to the approval of the Minister of the Economy, on 27 February 2018 the Supervisory Board authorised severance compensation to be paid to the members of the Executive Board in the event of loss of office.

This commitment renews La Banque Postale's commitment to Marc Batave regarding the awarding of severance compensation in the event of loss of office authorised by the Supervisory Board on 27 February 2013 then modified by the Supervisory Board of 31 July 2013.

Terms and conditions

The initial commitment stipulated that severance compensation would be paid in the event of dismissal during their term of office and in the event of a merger, change of control or change of strategy resulting in the departure of the Executive Board member, except in cases of gross misconduct or serious professional misconduct having a material impact on the Company's financial position. It also stipulated that when a director's term of office is not renewed, the decision of whether to pay severance compensation would be at the Supervisory Board's discretion, on the basis of advice received from the Appointments and Compensation Committee.

During the Supervisory Board meeting of 31 July 2013, the APE ruled out making severance compensation payments in case of non-renewal of the office term. The other terms and conditions authorised by the Supervisory Board meeting of 27 February 2013 remained unchanged.

Severance compensation is due subject to fulfilling a performance condition requiring a success rate of 80% or above in meeting the annual targets set by the Executive Board for two out of the last three full financial years.

The severance compensation due to Marc Batave will be equal to the aggregate amount of the fixed portion of his annual remuneration for the last year, on the day of loss of office, and the average variable portion of his annual remuneration for the last three years.

Should an executive rejoin the public sector within two years of his or her forced departure from the Company, the compensation will be reduced by the amount of remuneration received at that time (including bonuses).

Marc Batave will be entitled to an unemployment insurance policy taken out by La Banque Postale and providing compensation capped at one year's remuneration over the chosen compensation period. This insurance policy will replace the severance compensation listed above on completion of the waiting period.

This commitment had no impact on the financial statements for financial year 2020.

Paris La Défense, 11 March 2021
KPMG S.A.

Marie-Christine Jolys
Partner

Pierre Planchon
Partner

Neuilly-sur-Seine, 11 March 2021
PricewaterhouseCoopers Audit

Agnès Hussherr
Partner

Jérôme-Eric Gras
Partner

PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT 11

Person responsible for the Universal Registration Document

Philippe Heim

Chairman of the Executive Board

La Banque Postale

Statement by the person responsible for the Universal Registration Document

I hereby declare that, to the best of my knowledge, the information contained in this Universal Registration Document is in accordance with the facts and contains no omission likely to affect its import.

I further declare that, to the best of my knowledge, the 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 management report (defined in the cross-reference table of this document) gives a true and fair view of the business, results and financial position of the Company and the undertakings included in the scope of consolidation and that it contains a description of the main risks and uncertainties that they face.

Paris, 19 March 2021

Philippe Heim

Chairman of the Executive Board

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12.1 UNIVERSAL REGISTRATION DOCUMENT CROSS-REFERENCE TABLE

To make this Universal Registration Document easier to navigate, the table below cross-references the key information required under Regulation (EU) 2017/1129 (Annex I), in application of the "Prospectus 3 Directive", with the relevant pages of this Universal Registration Document.

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1. PERSONS RESPONSIBLE	
1.1. Person responsible for the Universal Registration Document	504
1.2. Declaration by the person responsible for the Universal Registration Document	504
1.3. Statement or report attributed to a person as an expert	N/A
1.4. Information sourced from a third party	N/A
1.5. Competent authority approval	1
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12.2 ANNUAL FINANCIAL REPORT CROSS-REFERENCE TABLE

To make this document easier to navigate, the table below cross-references the information required in annual financial reports in France, under Article L. 451-1-2 of the French Monetary and Financial Code (*Code monétaire et financier*) and Article 222-3 of the General Regulation of the French Financial Markets Authority (*Autorité des marchés financiers* – AMF), with the relevant pages of this Universal Registration Document.

ANNUAL FINANCIAL REPORT	PAGE NUMBER
1. Parent company financial statements	**352-388**
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3. Management report *(minimum disclosures as defined in Article 222-3 of the AMF General Regulation)*	**See management report cross-reference table, pages 508-510**
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5. Statutory auditors' reports on the parent company and consolidated financial statements	**345-351; 389-392**

Management report (including the corporate governance report and the non-financial performance statement)

To make this document easier to navigate, the table below cross-references the information required in management reports under the applicable laws and regulations with the relevant pages of this Universal Registration Document.

MANAGEMENT REPORT	LEGISLATIVE REFERENCE	PAGE NUMBER
1. Position and activity of the Group		
1.1. Position of the Company over the year and objective and comprehensive analysis of the changes in business, results and financial position of the Company and the Group, in particular its debt situation, in relation to the volume and complexity of its business	Articles L. 225-100-1, I., 1°, L. 232-1, II, L. 233-6 and L. 233-26 of the French Commercial Code	71-78
1.2. Key financial performance indicators	Article L. 225-100-1, I., 2° of the French Commercial Code	9-10; 77-78
1.3. Key non-financial performance indicators relating to the Company's and the Group's specific operations, including information on environmental and personnel issues	Article L. 225-100-1, I., 2° of the French Commercial Code	398-399
1.4. Material events arising between the end of the reporting period and the date of the management report	Articles L. 232-1, II. and L. 233-26 of the French Commercial Code	94
1.5. Names of the major shareholders and holders of voting rights at General Meetings, and changes during the year	Article L. 233-13 of the French Commercial Code	4
1.6. Existing branches	Article L. 232-1, II of the French Commercial Code	7; 92-93; 334-339
1.7. Significant shareholdings in companies with their registered office in France	Article L. 233-6, Paragraph 1 of the French Commercial Code	81
1.8. Disposals of cross-shareholdings	Articles L. 233-29, L. 233-30 and R. 233-19 of the French Commercial Code	N/A
1.9. Projected development of the Company's and the Group's situation and future prospects	Articles L. 232-1, II and L. 233-26 of the French Commercial Code	11-14; 94-97
1.10. Research and development activity	Articles L. 232-1, II and L. 233-26 of the French Commercial Code	80
1.11. Table of the Company's financial results over each of the last five years	Article R. 225-102 of the French Commercial Code	388
1.12. Information on payment deadlines for suppliers and clients	Article D. 441-4 of the French Commercial Code	79
1.13. Amount of inter-company loans granted and the statutory auditor's statement	Articles L. 511-6 and R. 511-2-1-3 of the French Monetary and Financial Code	N/A
2. Internal control and risk management		
2.1. Description of the main risks and contingencies to which the Company is exposed	Article L. 225-100-1, I., 3° of the French Commercial Code	103-111
2.2. Information on financial risks linked to climate change and measures taken to reduce them by implementing a low-carbon strategy throughout all components of the business	Article L. 22-10-35, 1° of the French Commercial Code	422-423; 444-445
2.3. Main internal control and risk management procedures put in place by the Company and by the Group, in particular those relating to the preparation and processing of accounting and financial information	Article L. 22-10-35, 2° of the French Commercial Code	81-91
2.4. Information on the objectives and policy regarding the hedging of each major category of transactions and the exposure to price, credit, liquidity and cash risks, including the use of financial instruments	Article L. 225-100-1, 4° of the French Commercial Code	139-181
2.5. Anti-bribery and corruption system	French Act No. 2016-1691 of 9 December 2016 ("Sapin II")	423; 437
2.6. Duty of care plan and report on its effective implementation	Article L. 225-102-4 of the French Commercial Code	437
3. Report on corporate governance		
Information on remuneration		
3.1. Remuneration policy for corporate officers	Article L. 22-10-8, I., Paragraph 2 of the French Commercial Code	59-60
3.2. Remuneration and benefits in kind paid during the financial year or granted in respect of the financial year to each corporate officer	Article L. 22-10-9, I., 1° of the French Commercial Code	61-67
3.3. Relative proportion of fixed and variable remuneration	Article L. 22-10-9, I., 2° of the French Commercial Code	59
3.4. Possibility to request repayment of variable remuneration	Article L. 22-10-9, I., 3° of the French Commercial Code	59

MANAGEMENT REPORT	LEGISLATIVE REFERENCE	PAGE NUMBER
3.5.Commitments of any kind entered into by the Company for the benefit of its corporate officers concerning the remuneration, compensation and benefits that would be due or potentially due at the time of or following their appointment, loss of office or change in position	Article L. 22-10-9, I., 4° of the French Commercial Code	60; 65
3.6. Remuneration paid or allocated by a company included in the scope of consolidation within the meaning of Article L. 233-16 of the French Commercial Code	Article L. 22-10-9, I., 5° of the French Commercial Code	N/A
3.7. Ratios between the level of remuneration of each executive corporate officer and the average and median remuneration of company employees	Article L. 22-10-9, I., 6° of the French Commercial Code	454
3.8. Annual changes in remuneration, Company performance, average remuneration of Company employees and the above ratios over the last five years	Article L. 22-10-9, I., 7° of the French Commercial Code	N/A
3.9. How total remuneration complies with the adopted remuneration policy, including how it contributes to the long-term performance of the Company and how the performance criteria have been applied	Article L. 22-10-9, I., 8° of the French Commercial Code	425-426
3.10. Procedure for taking into account the vote of the last ordinary General Meeting provided for in paragraph I of Article L. 22-10-34 of the French Commercial Code	Article L. 22-10-9, I., 9° of the French Commercial Code	N/A
3.11. Non-compliance with the procedure for implementing the remuneration policy and any deviation from the procedure	Article L. 22-10-9, I., 10° of the French Commercial Code	N/A
3.12. Application of the provisions of Paragraph 2 of Article L. 225-45 of the French Commercial Code (suspension of payment of directors' remuneration in the event of lack of gender diversity on the Board of Directors)	Article L. 22-10-9, I., 11° of the French Commercial Code	N/A
3.13. Stock options granted to and held by corporate officers	Article L. 225-185 of the French Commercial Code	N/A
3.14. Free shares granted to and held by executive corporate officers	Articles L. 225-197-1 and L. 22-10-59 of the French Commercial Code	N/A
Information on governance		
3.15. List of positions held and duties performed by each corporate officer in all companies during the reporting period	Article L. 225-37-4, 1° of the French Commercial Code	34-45; 52-57
3.16. Agreements entered into between a corporate officer or a significant shareholder and a subsidiary	Article L. 225-37-4, 2° of the French Commercial Code	498-502
3.17. Summary table showing delegations granted by the General Meeting to increase the share capital currently in force	Article L. 225-37-4, 3° of the French Commercial Code	28; 80
3.18. General management procedures	Article L. 225-37-4, 4° of the French Commercial Code	50-51
3.19. Composition, preparation and organisation of the work of the Board	Article L. 22-10-10, 1° of the French Commercial Code	29-50
3.20. Application of the principle of a balanced gender mix on the Board	Article L. 22-10-10, 2° of the French Commercial Code	31
3.21. Reference to a Corporate Governance Code and application of the "comply or explain" principle	Article L. 22-10-10, 4° of the French Commercial Code	26-27
3.22. Specific conditions for shareholder participation in the General Meeting	Article L. 22-10-10, 5° of the French Commercial Code	28-29
3.23. Procedure for evaluating current agreements – Implementation	Article L. 22-10-10, 6° of the French Commercial Code	N/A
3.24. For French limited companies (*sociétés anonymes*) with a Supervisory Board: Supervisory Board comments on the report of the Executive Board and the financial statements	Article L. 225-68, last paragraph, of the French Commercial Code	50
4. Shareholdings and capital		
4.1. Structure, changes in the Company's capital and threshold crossings	Article L. 233-13 of the French Commercial Code	4-5; 81
4.2. Purchase and sale of treasury stock	Article L. 225-211 of the French Commercial Code	N/A
4.3. Employee share ownership at the period end (proportion of share capital represented)	Article L. 225-102, paragraph 1 of the French Commercial Code	N/A
4.4. Any adjustments made to securities giving rights to share capital in the event of share buybacks or financial transactions	Articles R. 228-90 and R. 228-91 of the French Commercial Code	N/A
4.5. Information on transactions by executive corporate officers and related persons in the Company's shares	Article L. 621-18-2 of the French Monetary and Financial Code	N/A
4.6. Dividends paid during the last three financial years	Article 243 bis of the French General Tax Code (*Code général des impôts*)	5; 81

MANAGEMENT REPORT	LEGISLATIVE REFERENCE	PAGE NUMBER
5. Non-Financial Performance Declaration (DPEF)		
5. Non-Financial Performance Declaration (DPEF)		*See Section 6.5.1 "DPEF cross-reference table", page 466.*
6. Additional information		
6.1. Additional tax information	Articles 223 *quater* and 223 *quinquies* of the French General Tax Code	79; 199; 362
6.2. Injunctions or penalties for anti-competitive practices	Article L. 464-2 of the French Commercial Code	106-107; 199

In addition, pursuant to Article 19 of Regulation (EU) 2017/1129 of 17 April 2017, the following documents are incorporated by reference in this Universal Registration Document:

- the consolidated financial statements and parent company financial statements for the year ended 31 December 2019, together with the Statutory Auditors' reports on the consolidated financial statements and parent company financial statements, which appear on pages 180-185 and 292-294, respectively, of the 2019 Universal Registration Document filed with the AMF on 17 March 2020 under No. D.20-0135;
- the consolidated financial statements and parent company financial statements for the year ended 31 December 2018, together with the Statutory Auditors' reports on the consolidated financial statements and parent company financial statements, which appear on pages 178-185 and 279-281, respectively, of the 2018 Registration Document, filed with the AMF on 14 March 2019 under No. D.19-0152.

NOTES

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INFORMATION DESIGN

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