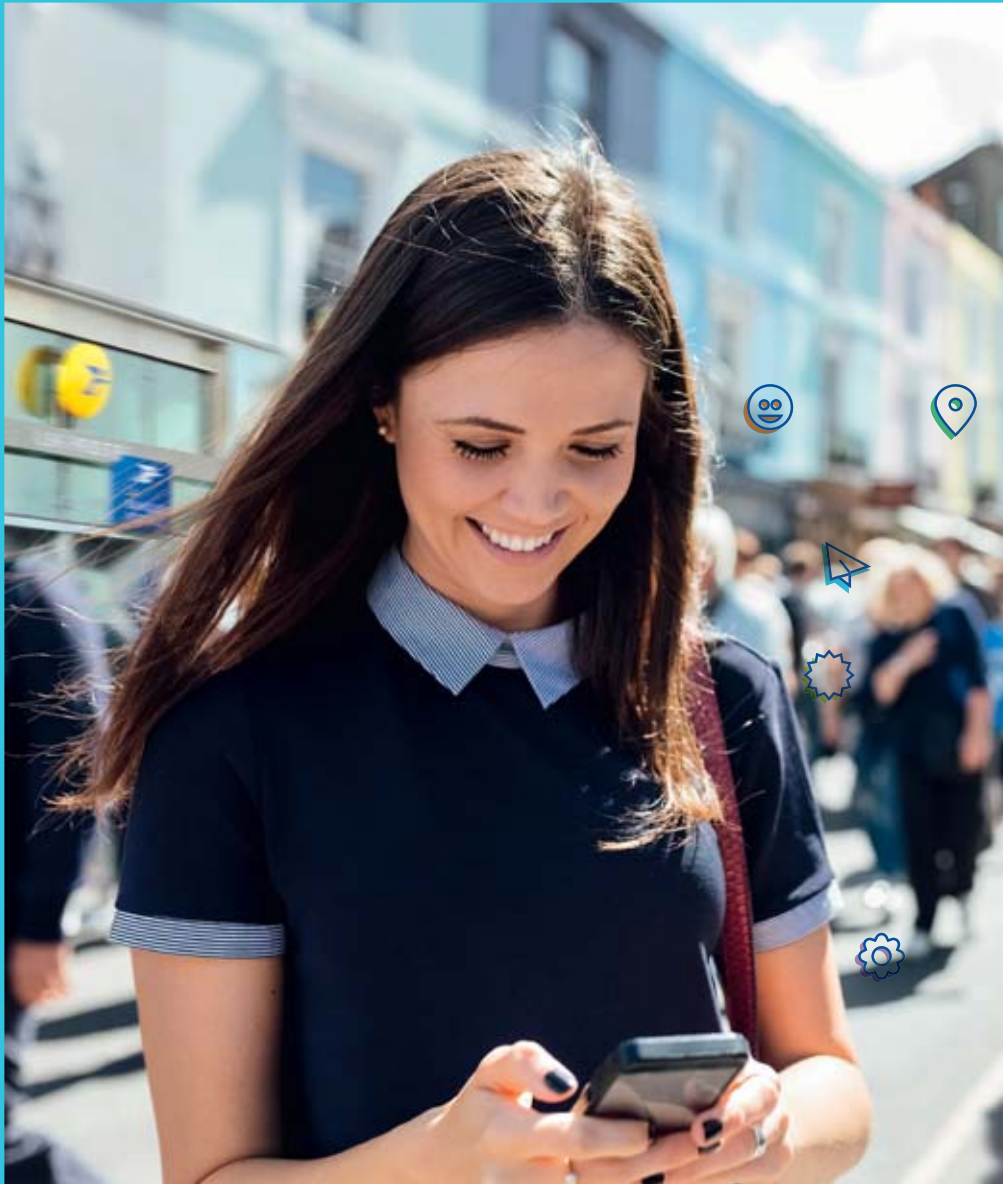




REGISTRATION DOCUMENT 2018

ANNUAL FINANCIAL REPORT



€24.7
BILLION
IN REVENUE

La Poste, a large-scale provider of **local** services, anchored in local communities, develops services to simplify the life of its customers by combining the strengths of human contact with digital solutions. La Poste is a **multi-business** group and wants to stay that way: its ambition is to transform and enrich its traditional mail offer, to be an important player in the surge in e-commerce and urban logistics, to create a different kind of bank, both close to customers and civic-minded, to create new proximity services and to position itself as a trusted third party for digital services for everyone.

MORE THAN
**251,000**
EMPLOYEES



REGISTRATION DOCUMENT 2018

ANNUAL FINANCIAL REPORT

This registration document contains all the information that forms the annual financial report.

The registration document
can be viewed and
downloaded on the website
www.groupe laposte.com



LE GROUPE LA POSTE

This document is a free translation from French into English and has no other value than an informative one. All possible care has been taken to ensure that this translation is an accurate presentation of the original. Should there be any difference between the French and the English version, only the text in French language shall be deemed authentic and considered as expressing the exact information published by Le Groupe La Poste.



This registration document was filed with the French Financial Markets Authority (Autorité des marchés financiers – AMF) on 15 March 2019, in accordance with Article 212-13 of its General Regulations. It may be used in connection with a financial transaction if it is supplemented by a transaction note (*note d'opération*) endorsed by the AMF. This document has been prepared by the issuer and is binding on its signatories.

Pursuant to Article 28 of European Commission (EC) Regulation No. 809/2004, the following is included by reference in this registration document:

- the consolidated financial statements of Le Groupe La Poste for 2017 and the corresponding Statutory Auditors' report reproduced in Sections 20.1.1 and 20.1.2 of the 2017 registration document, filed with the AMF on 15 March 2018 under number D18-0132;
- the consolidated financial statements of Le Groupe La Poste for 2016 and the corresponding Statutory Auditors' report reproduced in Sections 20.1.1 and 20.1.2 of the 2016 registration document, filed with the AMF on 14 March 2017 under number D17-0156.

Copies of this registration document are available free of charge from La Poste, 9 rue du Colonel Pierre Avia – 75015 Paris.

The registration document can be viewed and downloaded on the Group's website at www.groupe laposte.com and on the website of the French Financial Markets Authority (Autorité des marchés financiers) at www.amf-france.org.

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MESSAGE FROM **PHILIPPE WAHL**

Le Groupe La Poste's Chairman and Chief Executive Officer



**“IN 2019, LE GROUPE
LA POSTE WILL
CONTINUE TO SIMPLIFY
THE LIFE OF ITS
CUSTOMERS AND TO
INNOVATE, IN THE
SERVICE OF SOCIETY
AS A WHOLE”**

Le Groupe La Poste is moving forward with its transformation and preparing for the future

In 2018, the Group continued to face headwinds in its various markets: acceleration of the decline in mail volumes, historically low interest rates and strong pressure on parcel margins throughout Europe.

However, our strategic choice in favour of a multi-business model allows us to move forward with our transformation to make life simpler for our customers. We are continuing to invest, develop and prepare for the future. This development dynamic is driven by each Group entity, in which every La Poste employee has an important role to play. It should allow us to shift the weight of traditional mail in our revenue from 70% in 1990, and then 40% in 2010, to 28% in 2018 and 20% in 2020.

To ensure our development, we are relying on several waves of growth, which correspond to expectations from society: the surge in e-commerce, for which La Poste is strengthening its international presence and through urban logistics; the ageing of the population, which La Poste is supporting through the development of new services, in particular in the Silver economy; the need for digital trust, to which La Poste is responding thanks to its role as a trusted third party in the personal sphere and in the context of the modernisation of public service activities; and, finally, the need for risk protection and prevention, which allows La Banque Postale to accelerate its development in banking and insurance through an innovative and civic-minded approach.

In concrete terms, we invested a record €1.5 billion in 2018 to build our future. External growth is another facet of our development. We identify and integrate companies that represent a potential asset for La Poste and its customers, for example, the integration of Asendia (small parcels and international mail), acquisitions in the area of logistics in Europe and in Asia for GeoPost, or Diadom in the Silver economy

and Voxaly in digital services. Our development goes hand in hand with a strong societal commitment: La Poste became, in 2018, the first postal operator in the world to issue a Green Bond, for a total of €500 million. It was also the first postal operator to receive the highest possible rating A for its carbon performance. La Banque Postale is committed to managing 100% SRI assets by 2020, a “first” in the financial world.

“Such is the true meaning of our transformation: becoming the number one company in proximity services”

Our development is also reflected in major structuring projects. The strategic equity alliance project with Caisse des Dépôts, announced by the French State in August 2018, is a concrete example of this ambition. 2019 will be an important step for this alliance. It will create a large public financial unit to foster regional development, combat the territorial divide, accelerate the digital transformation of local authorities, and develop new services to individuals and innovative solutions in urban logistics. In 2019, Le Groupe La Poste will continue to simplify the life of its customers, and to innovate in the service of society as a whole. Such is the true meaning of our transformation: becoming the number one company in proximity services.

KEY FIGURES FOR 2018

MORE THAN

80%

OF EMPLOYEES
TRAINED DURING
THE YEAR



€892
MILLION
IN OPERATING PROFIT



17,264
RETAIL OUTLETS

€1.5
billion
INVESTED FOR
THE DEVELOPMENT





**€24.7
BILLION**

**IN REVENUE,
27% GENERATED
ABROAD**

+27.8%

**IN OUTSTANDING
LOANS TO LEGAL
ENTITIES**

3 MILLION

**DIGIPOSTE+
SAFES**



MORE THAN

1.6

billion

**PARCELS DELIVERED
BY COLISSIMO
AND GEOPOST**

**€252
MILLION**

**IN REVENUE GENERATED
BY NEW SERVICES AND
THE SILVER ECONOMY**



PERSON RESPONSIBLE

01

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1.1 Person responsible for the registration document

Mr Philippe Wahl

Chairman and Chief Executive Officer

1.2 Statement by the person responsible for the registration document

I hereby certify, having taken all reasonable measures to this end, that the information contained in this registration document is, to my knowledge, accurate and contains no omission likely to affect its significance.

I declare that, to my knowledge, the financial statements have been prepared in accordance with relevant accounting standards and give a true and fair view of the assets and liabilities, financial position and result of the Company and all of the companies included in the consolidation, and that the management report, including the cross-reference table presented on page 517 of this registration document, gives a true and fair view of the business, results and financial position of the Company and all of the companies included in the consolidation, and describes the main risks and uncertainties they face.

The Statutory Auditors have provided me with a completion letter indicating that they have verified the financial position and accounting information in this report and have read this document in its entirety.

Drawn up in Paris, 15 March 2019

Chairman and Chief Executive Officer

Philippe Wahl



STATUTORY AUDITORS

02

2.1	Principal Statutory Auditors
2.2	Alternate Statutory Auditors

12
12

2.1 Principal Statutory Auditors

PricewaterhouseCoopers Audit

Represented by Éric Bertier and Jacques Lévi

63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

PricewaterhouseCoopers was appointed by the Combined General Meeting of 11 June 2015.

PricewaterhouseCoopers Audit is a member of the Versailles Regional Association of Statutory Auditors.

KPMG Audit

Represented by Éric Amato and Marie-Christine Jolys

Tour Eqho
2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex

KPMG was appointed by an Inter-Ministerial Decree dated 29 June 2009 and was reappointed by the Combined General Meeting of 11 June 2015.

KPMG Audit is a member of the Versailles Regional Association of Statutory Auditors.

2.2 Alternate Statutory Auditors

Jean-Christophe Georghiou

63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

Salustro Reydel

Tour Eqho
2, avenue Gambetta
CS 60055
92066 Paris-La Défense Cedex

Jean-Christophe Georghiou and Salustro Reydel were appointed by the Combined General Meeting of 11 June 2015.

The current terms of office of the regular and alternate Statutory Auditors will expire at the close of the Ordinary General Meeting called to vote on the financial statements for the year ending 31 December 2020.



PROFILE OF LE GROUPE LA POSTE AND SELECTED FINANCIAL INFORMATION

03

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3.1 Overview: a major multi-business services group

Le Groupe La Poste is a major French services group, with revenue of €24.7 billion in 2018, of which 27.0% was generated abroad, and an operating profit of €892 million. Wholly owned by public shareholders (73.68% by the French State and 26.32% by Caisse des Dépôts), Le Groupe La Poste has 251,219⁽¹⁾ employees, of whom almost 15% are employed outside France.

Made up of the parent company (La Poste SA) and its subsidiaries, Le Groupe La Poste is organised around five business units:

- the Services-Mail-Parcels business unit (45.6% of consolidated operating revenue⁽²⁾) brings together the traditional postal delivery activities, *i.e.* delivering business mail and advertising, press and parcel post (see Chapter 5, Section 5.2). It also provides cross-border mail and small parcel delivery solutions. It is actively developing its local services (including new postmen services) business as well as new services for the elderly (Silver economy);
- the GeoPost business unit (29.6% of consolidated operating revenue⁽²⁾), wholly owned subsidiary of the Group, with many operations abroad (trading under its own name in 23 countries outside France), drives the Group's express business in France and abroad, with its core business line being express road transport parcel delivery (see Chapter 5, Section 5.3). GeoPost provides value-added delivery solutions to businesses (BtoB) and private individuals (BtoC) on the last mile both to homes and out of homes;
- La Banque Postale (22.5% of the consolidated operating revenue⁽²⁾), wholly owned subsidiary of the Group, trades in three fields: retail banking in France, insurance and asset management. With a customer base of 10.3 million active individual customers and almost 365,000 legal entity customers, La Banque Postale, as a consequence of inheriting the financial services of La Poste, enjoys a unique positioning in the French market (see Chapter 5, Section 5.4);
- La Poste Network comprises the 17,264 La Poste retail outlets⁽³⁾ which market postal, financial and telephone products and services to retail customers in France (see Chapter 5, Section 5.5). It is wholly-owned (post offices) or owned in partnership with local authorities and shopkeepers;
- the Digital Services business unit (2.2% of the Group's operating revenue⁽²⁾) produces and markets the Group's Digital solutions and services in the field of the digital transformation, digital marketing, desktop publishing and digital trust. It is also the driver of the Group's digital transformation in an increasingly digitised environment (see Chapter 5, Section 5.6).

Le Groupe La Poste holds strong positions in its different markets, all fully open to competition since the mail market was completely deregulated in 2011.

The Group has an unrivalled presence and role throughout the country due to the number of La Poste retail outlets, giving it an unprecedented local reach. Its postmen visit 39 million French households six days a week, helping maintain or create social interaction and consolidating the Group's position as a major contributor to local development.

Its regional coverage is also made possible *via* its extensive real estate portfolio (post offices, financial centres and commercial buildings, industrial platforms), which is one of the largest in France considering its size and number of assets. This portfolio is managed primarily by the Poste Immo subsidiary (see Chapter 5, Section 5.7).

In addition, four public service missions central to the Group's identity were entrusted to La Poste by the French State, proof of the role of the public sector company and its contribution to the general interest. These four missions – the universal postal service, press transport and delivery, contributing to regional planning and development, and banking accessibility (see Chapter 5, Section 5.8.2) – are fully integrated into the Group's business and strategy. The terms and conditions for carrying out these missions are defined in Public Service Agreements signed between La Poste and the French State; this agreement covers the 2018-2022 period. It is supplemented, for each of the missions, by additional agreements covering the special characteristics of the mission in question.

Lastly, Le Groupe La Poste focuses its activities and strategy on a societal commitment rooted in its culture and history. For 500 years, it has supported change in society through a mission of social interaction and access to progress and innovation for everyone, everywhere, every day. This societal commitment is perpetuated today, and the Group acts daily for the country's social and regional cohesion, for the advent of ethical and responsible digital technology and for the achievement of environmental transitions. This societal commitment is embodied by La Poste's employees, who are central to the relationship of trust with the French and for which Le Groupe La Poste develops a framework prioritising training, health and safety, and where equal opportunities and respect for diversity are the rule.

(1) Average workforce in full-time equivalents.

(2) On the basis of external revenue and net banking income.

(3) Including the 26 special status La Poste retail outlets.

3.2 History and milestones in the development of the Group's businesses

Without going too far back in time, La Poste, as a company, originated from the Ministry of Post and Telecommunications, established as the *Ministère des Postes et Télégraphes* in 1879. The first post offices appeared before this, dating back to the end of the 16th century. The first town postmen appeared in 1760, and the first stamp was created in 1849. Starting from 1881, the first financial activities were extended to managing passbook savings accounts. In 1918, postal cheques were introduced.

The key rules that continue to govern mail delivery today were put in place in the first half of the 19th century, with the development of a network of La Poste retail outlets across the country and the establishment of a rural service in 1830 enabling postmen to move out into the countryside, with daily delivery beginning from 1832.

From 1923, Post and Telecommunications were granted a separate budget from the French State, a situation that would continue under France's 1959 Constitutional Bylaw on Budget Acts.

In 1991, La Poste and France Telecom were granted legal entity status and financial autonomy under law No. 90-568 of 2 July 1990 on the restructuring of the postal and telecommunications public service. La Poste therefore became a public sector operator, the status of which was confirmed as a public industrial and commercial establishment (EPIC) by the French Council of State in 1998. Since 1990, it has been governed by a tripartite Board of Directors operating under the provisions of the law on the democratisation of the public sector.

The law gave La Poste the management autonomy it needed to push forward with its development strategy. La Poste was allowed to freely manage its assets while ensuring the financial stability of its business. It laid down its major strategic priorities through plans created with the French State to define both the Company's strategy and the objectives for achieving the public service missions entrusted to La Poste.

From 2003 to 2007, under the "Performance and Convergence" contract, La Poste made its activities more autonomous by creating a specific structure for each one. It also started modernising Mail's industrial facilities and post offices, it rolled out a European network for its express operations and it eliminated competitive obstacles that the Group had inherited from its past as a government service. This final step was achieved by creating La Banque Postale in 2005 and reforming pension funding for La Poste civil servants in 2006. Between 2003 and 2008, the Group's business portfolio displayed its strength, and the Group's net profit improved continuously. Nevertheless, the Group remained under-capitalised, with a "net debt⁽¹⁾ to equity" ratio above 2, which might have limited its growth.

From 2008 to 2012, the "Performance and Trust" strategic plan was adopted. The plan aimed to continue preparing the Company for full deregulation of its business starting on 1 January 2011 (when the mail market was fully opened up to competition), and also contributed to the widespread adoption of customer commitments and a responsible development policy.

Since 2008 and the NER⁽²⁾ law, two separate documents are now submitted to the Board of Directors: a Public Service Agreement signed between the French State and La Poste, fixing the objectives concerning the public service missions and a business plan which contains the corporate strategy. The aim of this strategy is to develop and finance the activities while performing the public service missions within the framework of a high-quality social model.

Furthermore, in 2008, the government asked the Ailleret Commission (*Commission de développement de La Poste*) to assess the impact of the new competitive environment, review various options for the Group's development and estimate the funding requirements needed to achieve them. The Commission estimated the cost of this development at €2.7 billion and proposed transforming La Poste into a public limited company (*société anonyme*, SA).

These proposals resulted in the adoption of the law of 9 February 2010, which transformed La Poste into a public limited company as of 1 March 2010.

La Poste's new legal form provided it with share capital and gave it access to funding by means of capital increases. This change, which was vital for financing a substantial investment plan, enabled the Company to execute and accelerate its development and innovation initiatives while improving its financial structure. As a result of the €2.7 billion capital increase adopted by the Board of Directors in February 2011, and paid in three instalments between 2011 and 2013, the Group welcomed a new shareholder alongside the French State: Caisse des Dépôts (CDC).

The law set out the principles underpinning the change in legal form: continuity between La Poste and La Poste SA is assured in terms of legal and financial matters and with regards to property, and the employees retain their rights, particularly those with civil servant status. In addition, all of La Poste's share capital may be held by the French State, by legal entities belonging to the public sector, or by employees, where applicable.

Lastly, the law of 9 February 2010 confirmed the four public service and general interest missions assigned to La Poste. These missions, defined by Article 2 of the law of 2 July 1990 as amended, were previously guaranteed by the law of 20 May 2005 governing the regulation of postal business – which had also included a regulation relating to the postal business assigned to the French Authority for regulation of the electronic communications and postal sectors (*Autorité de régulation des communications électroniques et des postes* – Arcep).

(1) The net debt to equity ratio indicates the proportion of the Group's net debt in relation to the Group share of equity. Group net debt does not take into account banking activities for which this concept is not relevant.

(2) New Economic Regulations.

From 2000 to 2010, Le Groupe La Poste began modernising its industrial and logistics facilities to increase efficiency and introduce new services in a now fully competitive environment. It enhanced its distribution network by modernising it and by pooling resources. It deployed one of the first European express networks. Lastly, it has developed a retail banking offering with a comprehensive range of services. While the Group has itself transformed, its markets have also changed significantly, notably with the digital revolution, which has led to increasing digitisation of data flows and a decline in customers visiting La Poste retail outlets in person, as well as the financial then economic crisis starting in 2008.

In April 2010, Le Groupe La Poste developed a new strategic plan called "Ambition 2015". Under the combined impacts of rapidly declining mail volumes and persistently low interest rates, Le Groupe La Poste saw its business model generate negative organic cash flows for the first time in 2013. Becoming increasingly

aware of the fact that it needed to evolve rapidly and make profound changes with the support of all its stakeholders, the Group launched a vast consultation process involving more than 150,000 employees, trade unions, shareholders and members of the Board of Directors, as well as associations of local elected representatives and consumer associations. It also organised "Citizen Conferences", an initiative rarely used in France, by inviting three groups of people representing rural and urban areas and micro-business entrepreneurs to work together and share their expectations about La Poste's services in the future.

After completing this vast participatory undertaking, in January 2014 La Poste presented its strategic plan entitled "La Poste 2020: Conquering the future", followed in April of the same year by the reorganisation of the Group featuring five business units (Services-Mail-Parcels, GeoPost, La Banque Postale, Digital Services, La Poste Network) and a Group Head ensuring strong strategic management and financing.

3.3 Selected financial information

The 2017 and 2018 selected financial information presented below is taken from Le Groupe La Poste's consolidated financial statements, which have been prepared in accordance with IFRS and audited by the Statutory Auditors.

This information must be read in conjunction with the following sections of the registration document:

- the consolidated financial statements in Chapter 20;
- the review of the Group's financial position and result in Chapter 10;
- the cash flow analysis in Chapter 11.

3.3.1 CONSOLIDATED INCOME STATEMENT (SELECTED DATA)

(in € million)	2018		2017	
Operating revenue	24,699	100%	24,110	100%
Operating profit/(loss) after share of net profit/(loss) of jointly controlled entities	892	3.6%	1,012	4.2%
Financial profit/(loss)	(186)	-0.8%	(168)	-0.7%
Profit before tax of consolidated companies	706	2.9%	844	3.5%
Income tax	(161)	-	(248)	-
Share in profits of associates	291	1.2%	297	1.2%
Attributable to non-controlling interests	39	-	42	-
NET PROFIT GROUP SHARE	798	3.2%	851	3.5%

3.3.2 CONSOLIDATED BALANCE SHEET (SELECTED DATA)

Net debt⁽¹⁾ is defined in Chapter 10, Section 10.5 and detailed in Note 28.1 to the consolidated financial statements – Chapter 20, Section 20.

(in € million)	2018	2017
Intangible assets (including goodwill)	3,838	3,433
Tangible assets	5,989	5,771
Investments in joint ventures and associates	3,982	4,098
Current banking assets	239,203	225,722
Other assets	8,498	7,639
TOTAL ASSETS	261,509	246,662
Equity, Group share	12,014	11,364
Contingency and loss provisions	3,347	3,336
Current banking liabilities	230,798	216,684
Other liabilities	15,351	15,278
TOTAL LIABILITIES	261,509	246,662
Net debt⁽¹⁾	3,442	3,820
Net debt⁽¹⁾/equity ratio	28.7%	33.6%

3.3.3 CHANGES IN GROUP NET DEBT⁽¹⁾ (SELECTED DATA)

(in € million)	2018	2017
EBITDA	605	1,103
Cash flows from operating activities	962	1,827
<i>Of which dividends received from La Banque Postale^(a)</i>	<i>408</i>	<i>376</i>
Cash flows from investing activities (excluding acquisitions and sales of financial assets held for cash investment purposes)	(904)	(1,501)
Issuance of perpetual hybrid subordinated bonds ^(b)	744	-
Dividends paid to shareholders	(171)	(171)
Net interest expense ^(c)	(157)	(159)
Other items	(96)	(97)
CHANGE IN NET DEBT⁽¹⁾	378	(101)

(a) Including interest received on La Banque Postale's undated subordinated notes (€64 million).

(b) See Note 1 to the consolidated financial statements (Chapter 20, Section 20.1).

(c) Including changes in Accrued Interest Not Due (AIND).

The calculation of net debt⁽¹⁾ is presented in Note 28 to the consolidated financial statements (Chapter 20, Section 20.1). This net debt⁽¹⁾ is defined in Chapter 10, Section 10.5. Comments on these changes are provided in Chapter 10, Section 10.5.

(1) Although the Group's net debt helps finance the entire Group, and especially banking activities, through equity investments or subordinated note subscriptions, the calculation of net debt does not take into account La Banque Postale's assets and liabilities, since they are of an operational nature in regards to banking activities.

3.3.4 KEY BANK FIGURES

The key figures shown below highlight changes in La Banque Postale's balance sheet, liquidity and solvency.

(en %)	2018	2017
Balance sheet total (in €bn)	245	231
Common Equity Tier 1 ratio^(a)	11.7%	13.4%
Loan to deposit ratio ^(b)	86%	81%

(a) Ratio between the amount of CET1 prudential equity and risk-weighted assets.
Fully loaded CET1 ratio.

(b) Loan to deposit ratio, excluding centralised savings outstanding at CDC.



04

INFORMATION ABOUT THE COMPANY

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4.1 Company name

The Company's name is "La Poste", referred to as La Poste in this registration document.

4.2 Registration place and number

The Company is registered in the Paris Trade and Companies Register under number 356 000 000.

NAF Code (Trade Sector Code): 5310Z (formerly APE – Activity Code: 641 A).

LEI number: 9695000YG7TR7PAP0L59.

4.3 Date of incorporation and duration of the Company

La Poste was incorporated as a public industrial and commercial establishment (EPIC) under law No. 90-568 of 2 July 1990.

La Poste was converted to a public limited company by law No. 2010-123 of 9 February 2010. The duration of the Company is 99 years as from 1 March 2010. Barring an early wind-up or an extension, the Company will cease to exist on 1 March 2109.

4.4 Registered office, legal form and governing law

4.4.1 REGISTERED OFFICE

The registered office of the Company is at 9, rue du Colonel Pierre Avia – 75015 Paris, France.

The telephone number for the registered office is +33 (0) 1 55 44 00 00.

4.4.2 LEGAL FORM AND GOVERNING LAW

La Poste is a public limited company with a Board of Directors. It is subject to the legal and regulatory provisions applicable to public limited companies, including the French Commercial Code, in that it is not affected by any special provisions, such as Order No. 2014-948 of 20 August 2014 relating to the governance and transactions involving the share capital of state-owned companies, or law No. 90-568 of 2 July 1990 relating to the organisation of La Poste and France Télécom's public service, and by the Articles of Association.

The regulations applying to La Poste as sole provider of the universal postal service are described in Chapter 5, Section 5.8 of this document.



STRATEGY AND ACTIVITIES

05

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5.1 Strategy

Digital technologies, due to the powerful changes they engender and the speed with which they spread, are having profound effects on society as a whole, and therefore on the markets in which Le Groupe La Poste operates. While all changes present risks, of course, they are also sources of many opportunities for the Group's business.

They include:

- the rise of digital technology, impacting the e-commerce market, the traditional mail market and footfall in post offices;
- the ongoing effects of Europe's latest financial crisis, leaving interest rates at very low levels;
- the impacts of climate change, a global reality highlighting the influence of human activities on the ecosystem, of which La Poste is mindful in its transport activities and regional presence;
- the ageing of the population, resulting in new needs in terms of assistance;
- the emergence of fully digital players in many areas on a daily basis: the digitisation of economies is heightening the need for security and trust.

Having taken the full measure not only of the challenges posed by trends in its legacy activities but also of the opportunities they create and the need to find and rapidly develop new growth drivers, Le Groupe La Poste has rolled out its "La Poste 2020: Conquering the future" strategic plan, which aims to make the Group the pre-eminent provider of local services in France and to ensure its economic health – the surest guarantee of its future and that of its employees.

Strategically, Le Groupe La Poste has decided to embrace a multi-business model spanning five business units in a range of markets (mail, parcels/express, home-based services, banking and insurance, and digital services). The multi-business dimension makes the Group stronger by virtue of the complementary nature of the cycles in its various business activities, enabling it to bring commercial synergies, bundled innovations and cost-sharing to each of them by playing on cooperation between its business units and subsidiaries, and thanks to the significant reserves of growth existing in its different activities.

The Group's ambition is to transform and expand its offering of mail services, to be a major player in the growing e-commerce and urban logistics markets, to develop a banking and insurance model that emphasises closeness to clients and social responsibility, to create new local services, and to become a driver for digitisation and a trusted digital third party.

Each business unit implements its action plans in accordance with the guidelines of the Group's strategic plan, with a view to making La Poste a leader in proximity services, paying particularly close attention to environmentally friendly development and the energy transition.

The strategic plan builds on potent assets:

- the commitment of its staff: the 251,219⁽¹⁾ employees committed to the Group's transformation represent a differentiating factor in an increasingly digitised world by allowing the Group to combine the digital aspect with the physical one, and to offer local services that pure digital players are unable to replicate;
- its usefulness: the French people see La Poste as one of the most useful companies in their daily lives, representing a key element of social interaction by virtue of its local presence and its proximity with millions of people. It also enjoys a particularly compelling image of trust in a world where the volume of accessible personal data is increasing exponentially, as is the need for security;
- its footprint and roots across all regions of France: La Poste has many assets. Its 17,264⁽²⁾ retail outlets, its customer services representatives present across whole France, its 71,049 connected postmen, its property assets spanning more than 8 million square metres;
- its culture of change and the modernisation of its historic business lines: every La Poste employee has already had to adapt his or her job and work organisation to cope with the digital revolution that is transforming traditional professions (traditional mail has fallen by almost 40% in the last ten years, and visits to post offices are declining by 6% every year);
- its customer knowledge enriches La Poste's understanding of the expectations of its customers, allowing it to offer them the most adapted solutions to their needs.

It also builds on the waves of growth that it has identified, which are opportunities stemming from expectations within society, and which guide the Group in its transformation:

- the dematerialisation of exchanges and more specifically the rise of BtoC e-commerce are generating unprecedented needs for last mile services;
- the strong growth in parcel delivery in city centres brings new opportunities to develop urban logistics solutions in a city that is at once smart and sustainable, and that wants to limit pollution, traffic congestion and noise pollution;
- longer life expectancy and the desire of older people to stay in their homes is prompting new demand for local services;
- the surge in digital exchanges raises ethical questions about securing such exchanges, resulting in a need for digital trust;

(1) Full-time equivalents on average.

(2) Including the 26 special status retail outlets.

- the modernisation of public service activities and the consolidation of the public finances are giving rise to the possibility of proposing alternatives and ways of simplifying administrative tasks;
- the energy transition is emerging as a critical challenge, requiring everyone's contribution in the fight against global warming.

Le Groupe La Poste has launched numerous initiatives to seize the resulting growth potential:

- building on the boom in e-commerce, La Poste has in recent years developed innovative value-added delivery solutions covering the last mile, for businesses (BtoB) and private individuals (BtoC), at home and out-of-home;
- to address the issues of urban logistics, which have brought about a veritable revolution by compelling parcel and delivery operators to rethink their business, the Group, in partnership with local authorities and with its customers, is introducing clean delivery solutions in major cities and is devising innovative solutions separating the shipping of goods in cities from the delivery to their final recipients (including the establishment of urban logistics centres – ULC);
- in the field of services to individuals, and more specifically the Silver economy, La Poste aims to become the leader in local services to individuals related to "ageing well at home". It has acquired players involved in the provision of home healthcare services, such as Astén Santé, and launched the "Watch Over My Parents" offer;
- in view of the growing need to have a trusted third party to deal with, La Poste is developing the use of digital technologies that are at once accessible, secure, environmentally friendly and useful to citizens. It has rolled out the Digiposte+ digital safe and a digital identity offer (which is currently in the process of certification by ANSSI⁽¹⁾), has installed digital tablets in its retail outlets and is offering a tablet specifically designed for seniors, amply demonstrating the role it can play in this area;
- La Poste has taken an active role in the modernisation of public service activities by proposing solutions that improve relations between local authorities and citizens, illustrated by the creation of digital platforms for managing relationships with people and users. Moreover, the success of the use of postal sites for the written driving licence test has paved the way for further initiatives;
- La Poste is a player in the energy transition through its property assets and vehicle fleet. It owns one of the world's largest fleets of electric vehicles. It has also undertaken various initiatives such as the implementation of an energy management system that addresses the Group's energy transition challenges, allowing greater control over the energy consumption of buildings, and the rollout of a range of products and services focused on renovation work geared towards reducing energy consumption.

Le Groupe La Poste's decision to develop responsibly, which combines improved performance with an exemplary attitude on social, societal and environmental issues, relies on a strong social model based on offering quality jobs, equal opportunities, diversity and support for employees' career paths. La Poste has created the "Social Pact" (Pacte social) to make each employee a stakeholder and beneficiary of the Group's transformation. The pact has four main objectives:

- train at least 80% of employees each year;
- promote professional development through nearly 50,000 qualifying courses to be validated over the plan's duration;
- protect health and quality of life at work by reducing accidents at work and absenteeism;
- support managerial development and the transformation of the HR sector (with the creation of 12 Group Mobility Spaces, spread over the country).

Le Groupe La Poste's development in the service of its customers, the community and its employees is in keeping with its public service missions, which are essential components of its identity and the expression of its contribution as a public company to the development of policies in the public interest. The construction, with the French State, of the framework enabling modernisation of its missions and fair compensation for services is vital to support the Company's efforts. The new Public Service Agreement relating to the public service missions entrusted to Le Groupe La Poste for the 2018-2022 period, signed in January 2018, reaffirmed the Group's strategic role for the French State.

Today, the Group must continue to pursue its transformation and speed up the process of reshaping its model, which is still sensitive to a more significant fall in mail volumes than anticipated. Against this background, La Poste will step up its efforts by means of the clear priority given to growing the business with the medium-term goal of generating more than 80% of its revenue outside the traditional mail business.

To track its progress in transforming its business model, La Poste has set four transformation indicators that were rolled out in 2018:

- a first indicator that assesses sensitivity to traditional mail, by measuring the relative share of revenue other than from traditional mail within the Group;
- a second indicator that assesses quality as perceived by customers, through the net promoter score;
- a third indicator relating to the level of engagement of employees, measuring their commitment to the Company and their willingness to take part in its transformation;
- a fourth and final indicator that assesses progress in the Group's digital transformation, measured through the digital know-how of La Poste employees, the tools available to them, and the rollout of digital technology.

(1) Agence Nationale de la Sécurité des Systèmes d'Information (National Agency for the Security of Information Systems).

In August 2018, the Minister of the Economy and Finance announced the strategic equity alliance project between La Poste and Caisse des Dépôts. The prospective operation would provide Le Groupe La Poste with the means to accelerate its development in the service of its customers and strengthen its capacity to carry out the public service missions entrusted to it by the French State within the framework of the ongoing Public Service Agreement.

The strategic equity alliance project between La Poste and Caisse des Dépôts is expected to result in joint measures in public service in France, covering five key areas:

- the fight against the territorial divide, with measures including the extension of the number of public service areas;
- the creation of a large public financial unit embodying the general interest and meeting the needs of local authorities and businesses through the implementation of joint measures;

- urban logistics, to accelerate the implementation of last-mile delivery solutions with clean transport solutions;
- the digital transformation in France's various local areas to improve the efficiency of public services and fight against digital exclusion;
- services to individuals and the Silver economy, to meet the challenges of demographic change and ageing.

The project also provides for a strategic equity alliance between La Banque Postale and CNP Assurances. The two companies would combine their life and non-life insurance activities in order to develop a comprehensive bancassurance model for La Banque Postale, thereby securing its long-term development, while maintaining CNP Assurance's open, multi-partnership and international model.

5.2 Services-Mail-Parcels

5.2.1 OVERVIEW AND KEY FIGURES

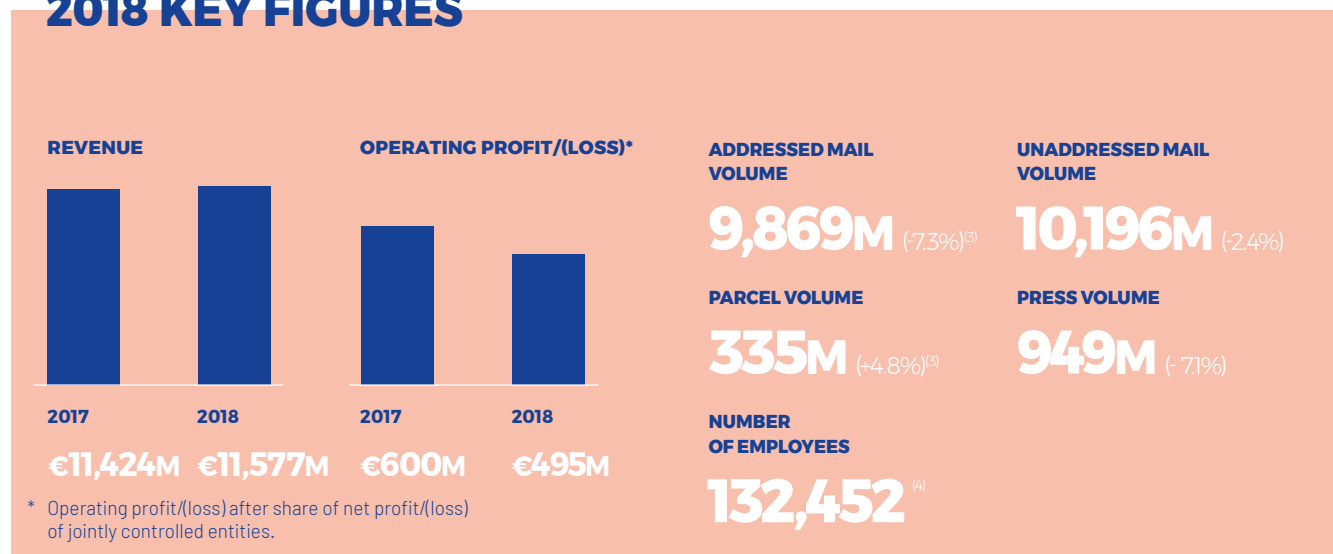
Le Groupe La Poste is one of the largest postal operators in Europe. Its Services-Mail-Parcels business unit provides local services nationwide: the delivery of mail, parcels and press, and the provision of an increasing number of home services. Over time, La Poste has built up a genuine social link and a trusting relationship with the French people thanks to its 72,620 postmen and parcel delivery people⁽¹⁾, who criss-cross the country and serve 39 million letterboxes six days a week.

The Services-Mail-Parcels business unit carries out two of the four public service missions entrusted to La Poste:

- the universal postal service (see Section 5.8.2.1). This mission was granted by the French State to La Poste for a 15-year period starting from 1 January 2011. In 2018, the universal postal service accounted for 68% of the business unit's revenue⁽²⁾ (vs 68% in 2017);
- the press transport and delivery mission (see Section 5.8.2.3) accounted for 4.2% (or €486 million) of the business unit's revenue.

In addition to these two public service missions, La Poste plays a vital role for the French economy and the flow of ideas, for two reasons: first, because traditional mail (mainly advertising mail and business mail) and more generally postal items, despite the increasing dematerialisation of exchanges, remain an important communication channel for businesses; and second because La Poste plays a key role in the distribution of the electoral documents that contain the various candidates' manifestos, distributed to the homes of all voters during election campaigns.

2018 KEY FIGURES



2018 key highlights

- Takeover of Asendia (interest raised from 50% to 60%).
- Continuation of the development strategy in home services and the Silver economy: acquisition of Diadom.
- Commercial launch of Recygo, the joint venture with Suez specialising in the collection and recovery of office waste.
- Increase in postal rates by 4.7% on average⁽⁵⁾ as of 1 January 2018.

(1) Individuals.

(2) Estimate: Mail-Parcels revenue (Universal Postal Service and non-Universal Postal Service) of the business unit.

(3) In equivalent working days.

(4) Full-time equivalents on average.

(5) 4.9% on average based on traffic-generating revenue.

5.2.2 THE SERVICES-MAIL-PARCELS BUSINESS UNIT'S MARKETS AND ACTIVITIES

La Poste's Services-Mail-Parcels business unit operates in eight markets. Each of them is broken down into divisions tasked with ongoing business development and the design of new value propositions, for both the parent company and the subsidiaries attached to it.

Markets	% of 2018 revenue
Business mail ⁽¹⁾	54.9% of revenue
Parcels	15.9% of revenue
Business media	13.3% of revenue
International/Asendia	8.3% of revenue
Press	4.2% of revenue
Silver economy	1.2% of revenue
E-commerce logistics	1.2% of revenue
New local services	1% of revenue

(1) Including mail services that do not create traffic, such as item pick-up and drop-off, Affranchigo (a postage metering service) and post office boxes.

Business mail

The "Business mail" activity, with revenue of €6.3 billion in 2018, is the Services-Mail-Parcels business unit's leading activity. La Poste holds a market share of roughly 19% in an overall communications market estimated at €33 billion (53% if one refers to the market that can be reached by La Poste, estimated at €12 billion).

Revenue from the "Business mail" activity, excluding the international segment, was as follows:

- sending solutions (€4.7 billion), including commercial correspondence and personal and professional mail;
- value-added services (€186 million) including tracked delivery;
- secure solutions (€1 billion) including in particular registered mail;
- standard services (€402 million), including postage for third parties, collection and contractual delivery of mail, mail holding and forwarding, and stamp-collecting.

La Poste offers two levels of service, namely fast mail, which in turn takes two forms (priority mail delivered the next day and "Lettre Verte" (green mail) delivered two days after postage), and economic mail (delivered four days after postage). In 2018, "Lettre Verte" (green mail) accounted for over two thirds of fast mail volumes, confirming customers' preference for fast and responsible mail, i.e. neutral in terms of carbon emissions.

"Business mail" is a volume market, where services still account for only a small part of revenue. The sending solutions market continues to be dominated by companies and key accounts.

Parcels

Within Le Groupe La Poste, Colissimo represents the Parcel business of the Services-Mail-Parcels business unit and is the preferred partner of companies and e-retailers for delivery to private individuals. In this fast-growing market, driven by e-commerce, La Poste delivered 335 million Colissimo parcels in 2018, generating revenues of €1,843 million in 2018.

Colissimo offers its customers (both senders and recipients) a complete service offering that covers all needs and new requirements: postage, collection, delivery, return and customer service. This offer, which has been completely CO2 neutral for the past seven years, was enriched in 2018 with:

- new collection services offered: Colissimo On Demand for small occasional depositors and Colissimo Collecte for regular depositors, while private individuals can still send parcels from their personal letterboxes with postage purchased online on the www.laposte.fr website;
- improvement of home delivery, the most popular option, chosen by eight out of ten customers in France. La Poste now manages to deliver 91% of Colissimo parcels on the first attempt, and reaches 94% thanks to the *Livraison Plus* service, which allows recipients to choose a new delivery day within the following seven days on the www.laposte.fr website. Finally, if no choice

is made by the recipient, the parcels can be picked up in one of the 17,264⁽¹⁾ La Poste retail outlets;

- the delivery to pick-up points, an essential complement to home delivery, with the largest network in France now consisting of 8,145 post offices, 9,500 Pickup points (a GeoPost subsidiary in France) and 375 automated lockers;
- a return offer from the 8,145 post offices, the 9,500 Pickup points, or directly from the standardised letterboxes of private individuals in mainland France (over 75% of French households have them);
- a rapid industrial network covering the entire French territory in two-day delivery (and progressively one-day delivery in large metropolitan areas) and that can absorb peaks in activity especially at the end of the year during Black Friday and Christmas (La Poste manages to deliver up to 2.8 million Colissimo parcels per day compared to an average of one million during the rest of the year);
- a complete follow-up of each Colissimo dropped off for delivery (with 99.6% scanned).

Colissimo is also the brand for international parcel shipments to more than 235 countries. In addition and since 2016, with Colissimo Europe, customers have benefited from an offer similar to the domestic offer (delivery at home, retail drop off and return outlets) for 30 European destinations, operated by the subsidiaries of DPD (GeoPost business unit). These international offers have allowed La Poste to triple its export volumes since 2015.

Business media

The overall marketing communication market is estimated at €33 billion in France in 2018⁽²⁾. It covers the expenses of advertisers across all media (TV, press, mail, billboards, Internet, etc.).

Companies spend an estimated €7.5 billion on direct marketing. Le Groupe La Poste holds 19% of the market in this area, with revenue of €1.5 billion in 2018.

Mail is an advertising medium that is both granular (targeted and customisable) and powerful (mass media), with high recall performance and impact on sales.

The "Business media" market notably covers addressed advertising mail (€925 million), operated by La Poste, and unaddressed advertising, operated by Mediapost (€370 million), the leading distributor of printed advertising in France and also operating internationally (Spain, Portugal, Romania).

Furthermore, on 1 January 2019 some of the digital activities operated by entities of the Mediapost Communication subsidiary were transferred to the Media division. These activities focus on

online media, customer knowledge, software solutions and advice on activating communication channels, enabling La Poste to offer its "advertiser" customers multichannel relationship marketing solutions. Marketing offers are sent through digital or mail channels and rely on "intelligence" gathered from CRM (Customer Relationship Management) data and media. In 2018, the relationship marketing market was impacted by the new regulation on the protection of personal data (GDPR). Mediapost Communication had anticipated these new rules, and their impact on revenue was therefore immaterial.

International/Asendia

Through its International Mail Department, known as Asendia France, La Poste is the incumbent operator in the French international mail and small parcels (less than 2 kg) market for shipments from France and the delivery in France of shipments from foreign postal operators. In 2018, Asendia France recorded revenue of €730 million.

Outside France, Le Groupe La Poste also operates in the cross-border international mail (business mail, business media and press) and BtoC goods market via Asendia, which operates in 15 countries on three continents (Europe, America and Asia).

In this international market, Asendia offers shippers, hubs and marketplaces solutions for international shipping and injection into the local distribution networks of the destination countries.

Lastly, Asendia also facilitates cross-border e-commerce flows through e-ShopWorld, an e-logistics services company and an e-shop for internationally renowned brands in which it has held a majority stake since 2017. Thanks to e-ShopWorld, e-merchants can give their customers a simpler and smoother international shopping experience with, for example, accurate calculation of customs fees and applicable exchange rates. To its e-commerce customers, e-ShopWorld offers global and tailor-made solutions for the collection, shipping, delivery and return of their international parcels.

In 2018, La Poste strengthened its position in Asendia by increasing its stake from 50% to 60%, with Swiss Post holding the remaining 40%. This transaction is part of La Poste's desire to build on the strong growth of the cross-border e-commerce market to pursue its international development.

In 2018, Asendia achieved €957 million in revenue.

Press

In addition to sales from newsstands, press items are distributed either by post (postal delivery) or by dedicated distributors to the reader's address (home delivery).

(1) Including the 26 special status retail outlets.

(2) Estimate made by France Pub in November 2018.

Postal delivery is the second-largest means of press distribution after newsstand sales. More than 7,000 titles used the services of La Poste, which transported and delivered one billion copies or 30% of the national circulation, generating revenues of €374 million (excluding the subsidy from the French government of €112 million).

La Poste also operates in home delivery, through an equity investment in Proximy⁽¹⁾.

Local services

The combination of the societal changes (energy transition, shift towards a circular economy, modernisation of public action) and the power of technologies is fostering the development of new modes of consumption favouring local offers. At the same time, the push towards social and environmental responsibility in public opinion is prompting consumers to opt for local and ecological consumption (short loops and circuits, low carbon footprint). These two phenomena are contributing to the emergence of growing demand for local services, delivered near or to people's homes. La Poste, with its history, its tangible and intangible assets, its knowledge of local areas and the trust it inspires among the French, can handle some of these services and meet the expectations of its customers.

The local services division designs, tests, markets and then operates, either directly or *via* subsidiaries, new value propositions in these new service universes. They share a demand for local presence, which is offered every day by the network of postmen, a necessary foundation of trust, which is one of La Poste's acknowledged values, and a need to simplify the customer experience.

In 2018, La Poste derived revenue of around €115 million from local services in particular from:

- the written driving licence test;
- the commented delivery of catalogues and data collection by postmen;
- home installation of small electronic equipment;
- delivery of meals or shopping to the home;
- help in naming and numbering streets to improve the quality of addresses;
- energy renovation with the Action Habitat range;
- the Recy'Go recycling offer (collection and recycling of office waste by postmen).

The new services also include the "Veiller Sur Mes Parents" (Watch Over My Parents) offer, under which postmen make regular visits to the home of the designated relative, with the frequency of visits ranging from one, two, four to six times a week, combined with a 24/7 hotline and assistance providing tradespeople for small repairs.

Over the course of 2018, La Poste rounded out its recycling offering, building on its innovative Recy'Go model, and partnered with Suez to create a joint venture (51% owned by La Poste) specialising in the collection and recovery of office waste.

In total, in 2018, the establishments performed 10 million tasks in the field of local services.

Silver economy and healthcare

The ageing of the population and the transformation of the health system are among the major challenges facing French society. One of the consequences of demographic change is the increase in the number of dependent and chronically ill people. Added to this is the need to heed the aspirations of seniors to "age well" and in good health at home (the older we are, the more we feel that "ageing well" means remaining at home as long as possible⁽²⁾).

The challenges relating to ageing are therefore central to public health policy. The Services-Mail-Parcels business unit aims to build on its history, its values, its assets and its know-how to develop a range of services to support public policy in this area. It has made it a pillar of its development and its shift into the world of services.

The acceleration of La Poste's expansion into local services will be driven by the assets of the Group's Digital Services business unit. Linked to applications and connected objects, they help blend social interaction and digital technology.

La Poste has accordingly made the strategic choice of becoming a major player in home care services, primarily through external growth, and in synergy with its services, logistics network and human resources. It began to achieve this objective in 2016 by taking a majority stake in the Axeo group, one of the leading operators in the field of services to individuals in France, with nearly 200 agencies in the French regions and a base of more than 150,000 customers. Axeo targets both private individuals and professionals, including businesses and local authorities, and offers a diversified and comprehensive range of services ranging from home and outdoor maintenance, childcare, assistance for dependent people, and individual safety to business services such as the cleaning of premises or green spaces and do-it-yourself work.

(1) Following the merger of Groupe Amaury and Le Groupe La Poste's subsidiaries SDVP and NeoPress in 2014, Proximy is now 25%-owned by Le Groupe La Poste.

(2) Source: CREDOC study, Survey of living conditions and aspirations, 2016.

In healthcare, La Poste took control in 2017 of Asten Santé, which assists nearly 75,000 patients suffering from chronic diseases. The Asten Santé teams provide home care for patients on medical prescriptions in the areas of respiratory assistance, drip feeding, nutrition, insulin therapy and home care. In October of the same year, Asten Santé acquired Agevie, a provider of home care services in eastern France, which allowed it to broaden its geographical footprint and consolidate its activity in home healthcare. In 2018, La Poste acquired 100% of Diadom, which provides care, delivery of equipment and patient follow-up in the fields of urology, neuro-urology and stomatherapy.

These acquisitions have enabled Le Groupe La Poste to:

- support its strategy of entering the Silver economy quickly by means of an extended service offering, in the health and non-health segments alike, to make life easier for seniors at home;

- market more broadly a comprehensive range of home services for private individuals.

In 2018, the Silver economy & Healthcare division generated revenue of around €137 million.

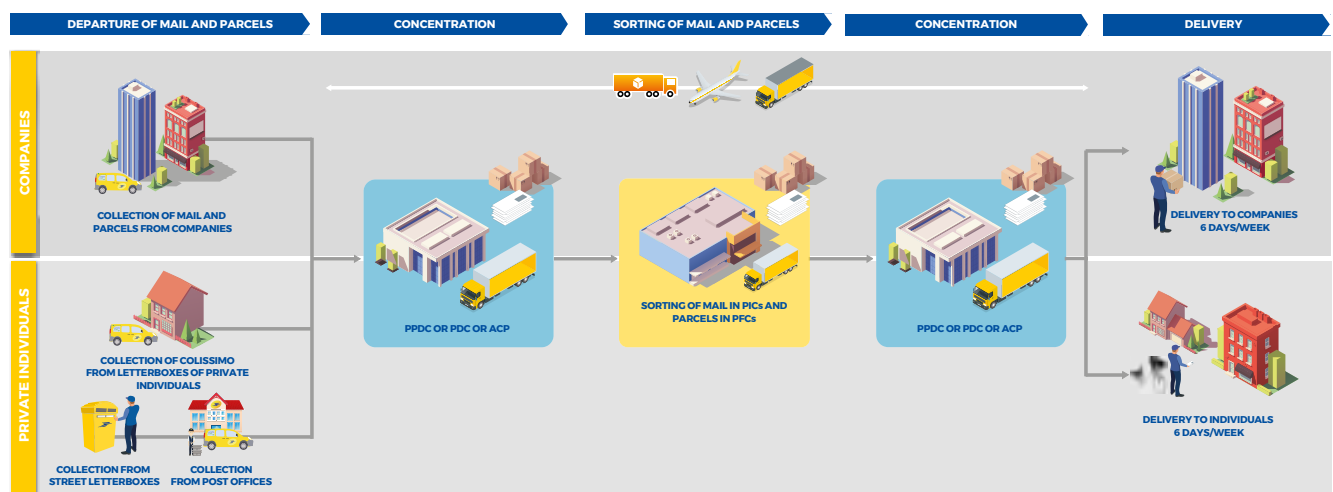
E-commerce logistics

In addition to its parcel business, the Services-Mail-Parcels business unit has created a connected logistics service offer for e-merchants. These services are provided by its subsidiary Viapost Logistique Connectée (€91.3 million in 2018).

The Viapost division generated revenue of €579.4 million in 2018 on offers spanning the overall support of its customers' omnichannel logistics: storage, preparation of orders, transport, etc.

5.2.3 LOGISTICS NETWORK FRANCE

The shipping of postal items, mail, parcels, press and printed advertising follows a standardised process:



This process requires a wide logistics and industrial network that is both partly owned and partly sub-contracted.

Collection	Transport	Processing	Delivery
• 115,000 street letterboxes • 711,345 pick-up and delivery customers	• 282 heavy goods vehicles • 8,500 road links • 7 planes and 2 extensions in Corsica serving 6 stops and Roissy hub • 31,200 internal combustion cars • 140 internal combustion motorcycles • 7,000 electric cars • 1,240 electric quads • 23,000 electric bikes • 5,633 Staby electric vehicles	• 2,181 Mail Delivery Platforms (PDC) • 210 Mail Preparation and Delivery Centres (PPDC) • 30 Industrial Mail Platforms (PIC) • 14 parcel platforms (PFC) • 1 platform for export parcels and small international packages • The international hub in Roissy	• 71,049 postmen* • 1,571 parcel delivery people* • 64,600 rounds • 39 million letterboxes served six days per week • 9,500 pick-up points in France • More than 555 million kilometres covered per year by postmen • 50 parcels offices (ACP) • an average of 1.2 million parcels delivered per day (and up to 2.8 million per day during the year-end period)

* Individuals.

The business is not very capital-intensive, with net non-current assets accounting for 5.4% of the business unit's revenue in 2018 (vs 5.5% in 2017), excluding subsidiaries.

Despite a high rate of automation (90% automated for mail sorting and handling operations, 96.5% for parcels), the business is still highly labour intensive, chiefly in pick-up and delivery. The Services-Mail-Parcels business unit accordingly has 123,085 employees⁽¹⁾, of which 10,061 for collection, 15,000 for sorting and handling, and 71,049 for distribution/delivery.

The network structure is partially determined by two regulated and controlled public service missions supported by the business unit, which include a number of requirements:

- quality of service targets⁽²⁾ (for next-day priority mail, in particular), requiring sorting platforms near delivery areas;
- mail, parcel and press deliveries to all French letterboxes six days a week, requiring numerous delivery rounds, and also significant fixed travel time;
- obligation to have a dense network of La Poste retail outlets to ensure accessibility to the universal postal service⁽³⁾.

The business unit gradually adapts its structure to changes in its activities, characterised by a structural decline in mail volumes⁽⁴⁾

(due to digitisation and major senders' policies to cut costs) and by growth in parcels:

- creation of 19 multi-flow delivery platforms (mail and parcels) at the end of 2018;
- transition from 45 Industrial Mail Platforms (PIC) at the end of 2010 to 30 at the end of 2018;
- 2,343 mail delivery rounds performed with no internal work in the delivery platforms;
- pooling of sites with other activities (such as Chronopost or DPD France) including the urban logistics centre (ULC) shared between Mail, Parcels, Chronopost and DPD France in the Southwest region in 2017.

La Poste is investing in its information systems (tracking shipments, connected devices) and implementing an automation plan paving the way to logistics 4.0, i.e. logistics integrating means of digital communication serving to connect people, machines, facilities and means of transport. As such, services are provided by the postmen in a connected and assisted manner, and in real time. At present, La Poste has Europe's biggest fleet of mobile devices, with 110,000 smartphones equipping postmen, and advanced computing.

5.2.4 MARKET TRENDS

The market trends of the Services-Mail-Parcels business unit are as follows:

- strong growth in parcels and small BtoC packages driven by e-commerce, both in France and internationally, and a more demanding approach to delivery (time, services);
- structural attrition of mail and press volumes, but potential for heightened value in the services on offer;
- attrition of addressed advertising mail, but stability of printed advertising, which remains popular among large retail advertisers for its effectiveness;
- growth of local services in all universes, for companies and in the homes of private individuals.

Strong growth in parcels and small goods

E-commerce continued to experience very strong revenue growth of roughly 13.4%, with a total of €92.6 billion spent on the Internet in 2018⁽⁵⁾. The sector is experiencing considerable consolidation around very major players who, as key accounts, influence delivery prices and as logisticians also compete with parcel operators on the last mile.

(1) Individuals.

(2) La Poste as a provider of the Universal Postal Service is subject to specific obligations in respect of quality of service. The Ministerial Decree of 12 September 2018 lays down quality of service objectives for the universal service offering for 2018, 2019 and 2020. For 2018, the delivery rate for next-day priority mail is set at >85% and for two-day green mail at 94%.

(3) The accessibility criteria for the universal postal service in France specify that at least 99% of the French population and at least 95% of the population in each department must live less than 10 km from a La Poste retail outlet, and that all municipalities with more than 10,000 inhabitants must have at least one retail outlet for each Section of 20,000 inhabitants; it must be possible to perform essential mail transactions at these outlets.

(4) La Poste is expecting a 50% decrease in mail volumes over the period between 2008 and 2020, from 18 billion to 9 billion mail items.

(5) Source: French e-commerce and distance sales federation (FEVAD), 2018 edition of "Key figures" published on 5 February 2019.

The last mile is also experiencing a profound transformation, with a very extensive segmentation of the needs of recipients, especially in urban areas and, in response, the emergence of new entrants with very differentiated offers, such as:

- delivery on the day of order;
- delivery on the day after order;
- scheduled delivery in narrow delivery windows at the customer's request;
- redirection of parcels to other delivery addresses at the recipient's request.

E-commerce is also changing the growth profile in the international segment. BtoC cross-border flows of less than 2 kg from e-commerce are experiencing significant growth (about 20% in 2018), partially offsetting the structural decline in international mail and press shipments (which are recognised under "mail" in La Poste's revenue).

As in domestic parcels, the growth of e-commerce (less than 2 kg) has spurred integrators and express delivery specialists to attempt to position themselves in the BtoC market. The rise of small goods is also prompting the emergence of new players from the logistics or digital sectors.

E-commerce logistics will also be transformed by the need for immediacy and for next-day or same-day delivery. This will in turn result in the emergence of short circuits with pick-up points located near drop-off points: convenience stores are becoming pick-up points and a feature of the omnichannel approach; local decentralised storage, fed by logistics that is more like a courier service than a monoparcel approach, is replacing centralised storage.

The need for immediacy is backed up by predictive management of local storage. It is no longer the e-shopper who will trigger the logistics flow through his or her order; rather, the e-merchant, through the analysis of customer experience data on the Internet, will pre-position goods with a high probability of purchase near the points of delivery.

Connected logistics are expected to grow relatively quickly in the coming years if the right business model combining high levels of expertise and cost competitiveness is found.

Cross-border logistics are poised to undergo the same changes. We are already seeing a measure of consolidation, in the US market for instance, initiated by European players seeking to integrate upstream of the e-commerce value chain.

Attrition of mail and press volumes, but heightened value for services

With new digital uses, the attrition of the number of shipments continues; mail and the press are progressively shifting from being volume markets to becoming service markets.

The use of digital technologies has spawned a need for responsiveness and facilitation for businesses and the general public. In its mail offers, La Poste responds by simplifying the customer experience, removing obstacles to the simple use of mail, from sending to delivery, and also by offering very popular tracking information.

For businesses:

- simplify the use of mail for customers and facilitate their decision-making by offering exclusive tools and advice on business mail solutions in a one-stop-shop;
- simplify the preparation and postage tools;
- integrate value-added services, such as collection and distribution preference, into the foundations of the offer.

For private individuals, the idea is to expand the offer available online to enable them, for instance, to:

- print stamps at home with "Mon Timbre En Ligne";
- frank a Colissimo parcel online;
- send a letter (simple, tracked or registered) online.

The contractual relationship can be extended to the retail and professional customers with service-intensive subscriptions, close to other service universes used by households on a daily basis (telecommunications, cable).

For the press, news stand sales have continued to fall, while digital circulation is growing.

La Poste assists its customers in the digital circulation of their publications and enhances the value of press distribution through new offers. In particular, a new two-day delivery offer at a competitive price, halfway between the one-day press offer and the four-day offer was created. A new logistics organisation was also established to reduce the cost of handling certain press titles by using the sorting capacities of the Industrial Mail Platforms (PIC).

Advertising media: a targeted and connected media

Advertising mail is one of the most effective ways to attract consumers. It is popular with marketing professionals, who continue to give it a key place in their strategies.

It is also particularly popular among digital natives: 38% of 15-34 year-olds read at least one newsletter each week in 2018⁽¹⁾.

Advertising mail is always read, very often reread, stored in the back of one's mind and often kept. It gives rise among 89% of catalogue recipients to Internet traffic to obtain more information about the offers in question.

(1) Source: Balmétrie study, 2018.

2018 saw a continuation of the trend observed in previous years, with a decline of roughly 6% in the volume of addressed advertising mail. This trend is driven chiefly by incumbent players (distance selling specialists, etc.) due to changes in media spending, amidst a tightening of budgets.

However, positive signs can be seen with the development of data. To increase the impact of their campaigns, advertisers are looking for multichannel solutions tailored to consumers' media consumption patterns. The combination of "print" and "digital" (via the development of digital offers or platforming⁽¹⁾ can meet this demand).

To be part of this market dynamic, part of the digital activities developed by entities of the Mediapost Communication subsidiary were moved to the Media division of the Services-Mail-Parcels business unit on 1 January 2019. These various activities – Mediapost advertising, Matching, Sogec Datamark Services (SDS), Cabestan, Vertical Mail and Mediapost Holding – allow La Poste to offer customers fully multichannel marketing solutions, which are more efficient and smoother. This change in asset governance aims to improve the Group's transparency and consistency in the strategic area of media and advertising by making the Media division of the Services-Courier-Parcel business unit the expert in the field of multichannel advertising solutions for advertisers.

Strong demand for local services among businesses and private individuals

An increasingly diverse and innovative array of home delivery and services to individuals is now available. This is one of the major consumer trends in post-industrial societies in the early part of the 21st century.

When operating in this area, the competitive advantage stems not only from the performance of digital platforms, but also – and above all – from the ability to be physically present, locally and on a daily basis, in the living spaces of households, and to gain their confidence in order to be allowed to enter their various private spaces. Many brands are looking to combine the digital channel with physical presence ("phygital" marketing) in a bid to maximise purchases. The demand for services can be seen among businesses and local authorities, as well as among private individuals.

For businesses, the idea can be to structure the logistics of short circuits between producers or retail banners and consumers (supply, recycling) and, as for local authorities, to enrich their knowledge of their area by virtue of increasingly pertinent, aggregated, precise, visual and updated local data (roads, buildings, energy, local flows of goods or people). La Poste offers a wide range of services to cover these needs: Recy'Go for recycling; Proxi Course for home delivery of shopping; Proxi Data for collecting local information. In 2017, La Poste also launched a delivery of meals at home offer for seniors targeting local authorities in support of their social welfare policies. Its appeal as a solution is growing, particularly in rural municipalities, 31 of which have now subscribed (more than 80,000 meals distributed in the course of the year to 684 people who receive daily deliveries). They also see it as a solution in the fight against isolation among the elderly.

For the French State, the implementation of the New Generation Prefectures Plan (*Plan préfectures nouvelle génération* – PPNG) announced in December 2015 has resulted in the rollout of free remote procedures and new user pathways for document delivery, with the aim of simplifying the issuance of a number of documents including car registration and driving licences. La Poste is playing a part in this trend and has been working with the National Agency for Secured Documents since 2017: recipients receive an SMS informing them of the imminent issue of their driving licence before the arrival of the postman to deliver it personally after an ID check.

For private individuals, the idea is to create and unite services, especially around the home, to allow seniors to age well at home, but also to manage their everyday needs.

The success of the written driving licence test (ETG), held on La Poste premises, is a very encouraging first step (€22 million in revenue in 2018) that could be extended to other types of training in the future. This is confirmed by the November 2017 agreement signed between La Poste and Le Robert, a publishing house, which together launched the Le Robert Certification for Mastery of the French Language. The examinations for the certification are carried out by La Poste in more than 55 cities in France.

The "Veiller sur mes parents" (Watch over my parents) offer (almost 4,000 contracts sold by the end of 2018) is the flagship service of La Poste's strategy of diversifying in the world of services. The advertising campaigns and wide media coverage devoted to this service have served to highlight La Poste's strengths in providing private individuals with a close and trustful relationship.

(1) From a single interface, a multichannel platform can create, disseminate and analyse the impact of multichannel marketing campaigns. This solution facilitates and simplifies the implementation of advertising campaigns for advertisers.

5.2.5 STRATEGY AND OUTLOOK

Through the myriad of services provided to the population during its history (financial services, mail, parcels), La Poste has acquired expertise in local services and last mile logistics, operating in the general interest, *i.e.* within a framework of values: neutrality, simplicity, accessibility, respect for confidentiality, trust and transparency.

With the decline in physical mail volumes, La Poste is redirecting its resources into new local service missions, new public policies, and new services more attune with the needs of the time. But it is not changing its identity or the values that drive it.

Faced with these major emerging challenges, the Services-Mail-Parcels business unit has laid out its medium-term strategic vision in a plan entitled "Ambition 2020 – towards a service-oriented world". It has set three goals:

- promote mail as a media in all its aspects;
- conquer the in-home services market;
- develop and consolidate La Poste's position in the e-commerce market.

These goals are hinged on a commitment to each La Poste employee: that of simplifying the performance of their daily tasks.

This is made possible by the tools placed at their disposal, such as postmen's personal digital assistants.

In 2017, La Poste reviewed the governance of its territorial organisations so that local establishments are structured, steered and managed with a view to helping employees carry out their daily tasks.

The Group is also working to use more environmentally friendly means of transport. To do so, it has built up a fleet of 2-, 3- and 4-wheel electric vehicles to meet the environmental concerns of urban municipalities seeking to restrict access to cities for the most polluting vehicles.

5.2.5.1 Customer acquisition "towards a service-oriented world"

La Poste's Services-Mail-Parcels business unit is building on renewed momentum in local services to forge its future and win over new customers, in synergy with the Group's other business units, in particular La Poste Network, Digital Services and GeoPost. To do so, it is building on three of its historical assets, namely day-to-day local presence, trust and simplicity.

The customer acquisition targets are ambitious, the idea being, by 2020, to shift the business unit's centre of gravity from the world of mail to that of services, to shift from a volume economy to a value economy while promoting profitable growth.

Customer acquisitions will result in more services for private individuals, professionals and businesses, a broader international footprint, more external growth, innovative pricing models and a sustainable contractual relationship, particularly among private individuals.

It is structured around three main lines of action:

- stimulate growth drivers in France and abroad by:
 - making Colissimo the connected trade trailblazer and the standard-setter for on-demand delivery to private individuals,
 - making Asendia France the leader in small goods exports and imports in France and positioning Asendia on cross-border trade in connected goods and services with Asia,
 - developing new, agile, easy and connected business media solutions;
- add value to mail and press delivery by:
 - simplifying access to and use of mail for businesses and private individuals,
 - supporting the use of mail through additional services,
 - handling lower volumes of mail with a heightened focus on excellence,
 - helping in the digital circulation of the press, developing the best home delivery and posting solutions for publishers;
- conquer the local home services market by:
 - offering new local services,
 - becoming a major provider in the Silver economy,
 - developing service packages to support the energy transition,
 - helping regional economies and supporting local retail.

5.2.5.2 Excellence

Customer acquisition is served by several levers that continuously boost operational excellence in the service of customers and reinforce industrial and economic performance.

The operational system of excellence

A constant quest for operational excellence is the key to success in the world of services. It allows all initiatives and all forces to converge on a single point, namely customer satisfaction.

In the Services-Mail-Parcels business unit, it is based on a highly structured system of management through the setting of objectives, managerial standards and knowledge of best practices.

The school of quality customer satisfaction, founded in October 2017, is a major stepping stone to foster the Services-Mail-Parcels business unit's culture of quality and to enhance employee skills. It is within this framework that La Poste has partnered with the University of Versailles Saint-Quentin-en-Yvelines to create the "La Poste-Quality and Customer Experience" chair, and has, together with the university, created a degree course, namely the "Master's Degree in Quality and Customer Relations". This skills development programme is open to La Poste managers wishing to improve their performance in these specialities.

In the world of services, commitment to customers can no longer be, as it was in the past, simply an overall objective of quality of service calculated as an average of the total mail volume. Promises must be kept in full for each service provided. This requires the use of other quality of service measures, with the focus now placed on the net promoter score (NPS)⁽¹⁾, which is measured for each service provided. It also assumes a new quality culture backed up since 2017 by a specific "Customer Experience Contract" programme.

The industrial and economic excellence system

Industrial and economic excellence is structured around three major programmes:

- the scaling up of the industrial facilities to ensure the growth of the parcels business (modernisation and construction of new parcel platforms) and the increase in the flow of small international goods. Mail costs are controlled by the gradual transformation of the Mail Preparation and Delivery Centres (PPDC) into multi-stream distribution platforms (mail processing, small goods, press delivery, Chronopost and parcels on the same site) and by adapting the industrial mail network to the volumes of mail to be processed;
- the adaptation of the network of the sites preparing the rounds of postmen (Mail Preparation and Delivery Centres – PPDC) to the new activities and new services (modernisation of the first and the last mile) in order to:
 - the preparatory sorting work for the distribution of the round of each postman is automated upstream in the Industrial Mail Platform (PIC),
 - the postmen have "ready to deliver" bags, without any additional sorting work,
 - the postmen are brought as close as possible to the starting point of their delivery rounds, and are therefore posted in new local sites called "Postmen Service Points",
 - the delivery of the mail is piloted so that each item is delivered on the promised date (one-day, two-day, four-day or seven-day delivery);
- the digitisation of the logistics chain and all customer experiences (infrastructure and IT bases). This can cover the marking of all items; flashing; the information system for new services, the evolution of Facteo, postmen's personal assistants. Real-time supervision, Mobile first⁽²⁾ and integration of artificial intelligence will be the keys to investments in information systems made in synergy with the Group's Digital Services business unit.

(1) NPS: Percentage of customers declaring themselves satisfied on a scale from 0 to 10, for example, very satisfied (9 and 10), less the percentage of those reporting a level less than or equal to 6.

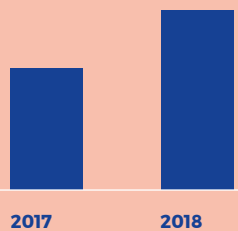
(2) The mobile first approach to web design makes mobile devices (smartphone or tablet) central to the site's design and content strategy.

5.3 GeoPost/DPDgroup

5.3.1 OVERVIEW AND KEY FIGURES

2018 KEY FIGURES

REVENUE



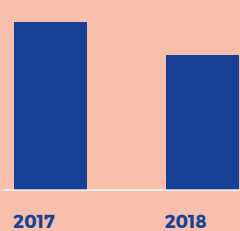
2017

2018

€6,816M

€7,373M

OPERATING PROFIT/(LOSS)*



2017

2018

€430M

€346M

* Operating profit/(loss) after share of net profit/(loss) of jointly controlled entities.

NUMBER OF PARCELS

1,310M (+6.7%)

BTOC REVENUE

40%

NUMBER OF EMPLOYEES

41,543 ⁽¹⁾

REVENUE OUTSIDE FRANCE

78%

OF WHICH EMPLOYEES OUTSIDE FRANCE

35,089 ⁽¹⁾

2018 key highlights

- Full acquisition of the ALP group, comprising Delifresh, Freshlog and 360° Services in France.
- Acquisition of a minority stake in Ninja Van in Southeast Asia (the first parcel pick-up network in Singapore).
- Conclusion of a partnership between Chronopost France and SF Express, the Chinese leader in logistics, aimed at improving the quality of service and transit time from France to China.
- Stake in SEUR increased to 94% following the acquisition of two new franchises.
- Investments in facilities: opening of a new Urban Logistics Space at the Chronopost France site in Paris-Bercy, introduction of urban micro-depots with fitting rooms in Poland, and opening of the first fully electric depot in Britain, in central London.

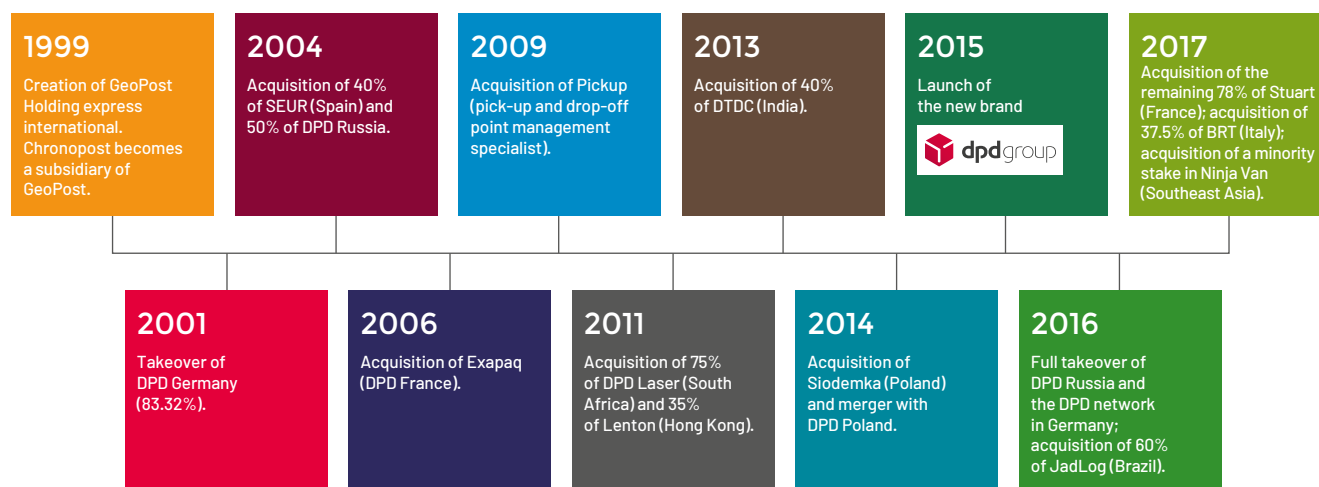
5.3.1.1 Background

A long-standing postal parcel operator, France's La Poste was the first European postal operator to position itself in the express market with the creation of Chronopost in 1985. The birth of wholly owned GeoPost in 1999 confirmed this strategic priority. The holding company then integrated Chronopost and implemented an external growth strategy based on targeted acquisitions of well-known domestic operators, primarily in Europe.

Between 1999 and 2001, GeoPost acquired several franchisees of the DPD network in Germany (85% of the network acquired in 2001) and in a few neighbouring countries (Switzerland, Czech Republic and Benelux at 100%). In 2001, GeoPost acquired 100% of Parceline

and Interlink (now DPD UK and DPD Local), two parcel carriers active in the UK and Ireland. In 2004, GeoPost acquired 100% of the SEUR franchise in the Madrid region and thus 40% of the share capital of SEUR Internacional and 21% of SEUR SA, the franchisor, the number one private operator in Spain. In 2004, GeoPost acquired 100% of transport companies in Poland and the Baltic countries and 50% of a company in Russia. In 2006, GeoPost acquired 100% of Exapaq (now DPD France), a BtoB deferred delivery specialist in France. In 2009, GeoPost took control of Pickup Services, a company specialised in managing pick-up and drop-off points. In 2015, GeoPost acquired the courier company Siódemka and became number one in the Polish market.

(1) Full-time equivalents on average.



The same year, to support its strategy, GeoPost combined its DPD, Chronopost and SEUR brands under one umbrella: DPDgroup.

DPDgroup became the international brand that embodies GeoPost's goals and values throughout Europe.

In 2016, GeoPost completed the full takeover of the DPD network in Germany, acquired a 60% stake in Jadlog, a Brazilian last mile specialist, and increased its stake in DPD Russia to 100%. In 2017, GeoPost acquired a 37.5% stake in BRT, a leading Italian player, consolidated its position in the Russian market by merging with SPSR, and took a minority stake in Ninja Van, a delivery specialist in Southeast Asia.

DPDgroup has also strengthened its positions in the express parcel market in Kazakhstan and Belarus under the DPD brand, in South

Africa under the DPD Laser brand, and in Morocco and Burkina Faso under the Chronopost brand.

In 2018, GeoPost's stake in the SEUR network was raised to 94%.

Thus, in a few years, DPDgroup has acquired a key positioning in the European market, becoming the second-largest parcel delivery network in Europe by having a strong foothold in most countries, including Russia⁽¹⁾:

- No. 1 in Spain, Poland and Lithuania;
- No. 2 in France⁽²⁾, in Germany, Austria, Estonia, Ireland, Latvia, Portugal, the United Kingdom, and Russia;
- No. 3 in Slovenia and Switzerland.

(1) Source: annual internal study.

(2) In France, GeoPost/DPDgroup subsidiaries operating under the Chronopost and DPD France brands are number two in the market behind Colissimo. Le Groupe La Poste (Colissimo + Chronopost + DPD France) is number one in France.

5.3.2 THE DPDGROUP MARKET

DPDgroup operates in the light-weight parcel delivery market, which is generally referred to as the “CEP” (Courier, Express and Parcel) market.

Light packages (generally speaking, parcels of less than 31.5 kg, i.e. 70 pounds) obey the “one man, one van” rule: unlike freight, they can be handled by a single person without special equipment. However, transporting light-weight parcels requires specific infrastructure (sorting centres, small vehicle fleets) and is based on delivery rounds. This market differs from other transport markets that do not require sorting operations (delivery market and cargo transport market).

The light-weight parcels market is based on providing a service on behalf of an ordering customer (known as the “shipper”) and a destination customer.

DPDgroup delivers 5.2 million parcels every day.

5.3.2.1 Market segmentation

The CEP market is traditionally segmented according to several criteria:

- delivery time, which generally subdivides the market into two segments:
 - standard or deferred parcel, without guaranteed delivery times, which ranges from 24 to 72 hours,
 - express parcel, with guaranteed delivery times that generally correspond to next-day delivery in the domestic market, and next-day to two-day delivery in the international market;
- geographic coverage:
 - domestic markets (domestic delivery/intra-country),
 - an international market, sub-divided between shipments within the European Union and shipments outside the European Union (also called intercontinental delivery).

DPDgroup is specialised in domestic and intra-European delivery, and is expanding in the intercontinental market;

- the nature of the sender and recipient, which subdivides the market according to the type of parcel flow:
 - business to business (BtoB),
 - business to consumer (BtoC),
 - consumer to consumer (CtoC),
 - consumer to business (CtoB).

DPDgroup covers all customer needs, mainly professional (BtoB and BtoC), in the various segments.

5.3.2.2 Market players

The market is served by various types of operators, and each has an operating model based on their own structure and type of network:

- global players, also known as “integrated operators” (UPS, DHL Express, FedEx/TNT), are carriers that cover the entire parcel delivery shipping chain. They manage a whole series of operations: airline company, customs broker, cargo agent and often road courier;
- major regional players (DPDgroup or to a lesser extent GLS, a member of the Royal Mail group) capable of serving a large number of countries in a unified manner. In this segment, DPDgroup is the leading pan-European operator, both in terms of revenue and number of countries covered by its subsidiaries. These road shippers do not have their own air fleet and rely on commercial flights (in the baggage compartment of the air plane) or on integrated operators for their express delivery services;
- domestic players, which include, in particular:
 - some domestic postal operators that have extensive domestic distribution networks and that are major players in BtoC markets,
 - local players: partner networks, shippers and SMEs, mainly positioned in the domestic small parcel transport market (or even the regional market), mostly in BtoB, and which are generally absent from international delivery.

Integrated operators have invested in the standard parcel market for a few years in the European CEP market to establish a foothold in the BtoC market. This market was initially dominated by postal operators as well as regional and local players.

However, it is considered that this segment is largely dominated by postal operators that have more than 50% market share in both value and volume⁽¹⁾, although the distinction between postal operator and non-postal operator is starting to blur.

In Europe, DPDgroup is currently the second-largest operator in the CEP market behind Deutsche Post DHL group, with an estimated 12.9% market share by volume in 2017 (up 0.2 pt vs 2016)⁽¹⁾. DPDgroup is also the leader in the intra-European ground market⁽¹⁾.

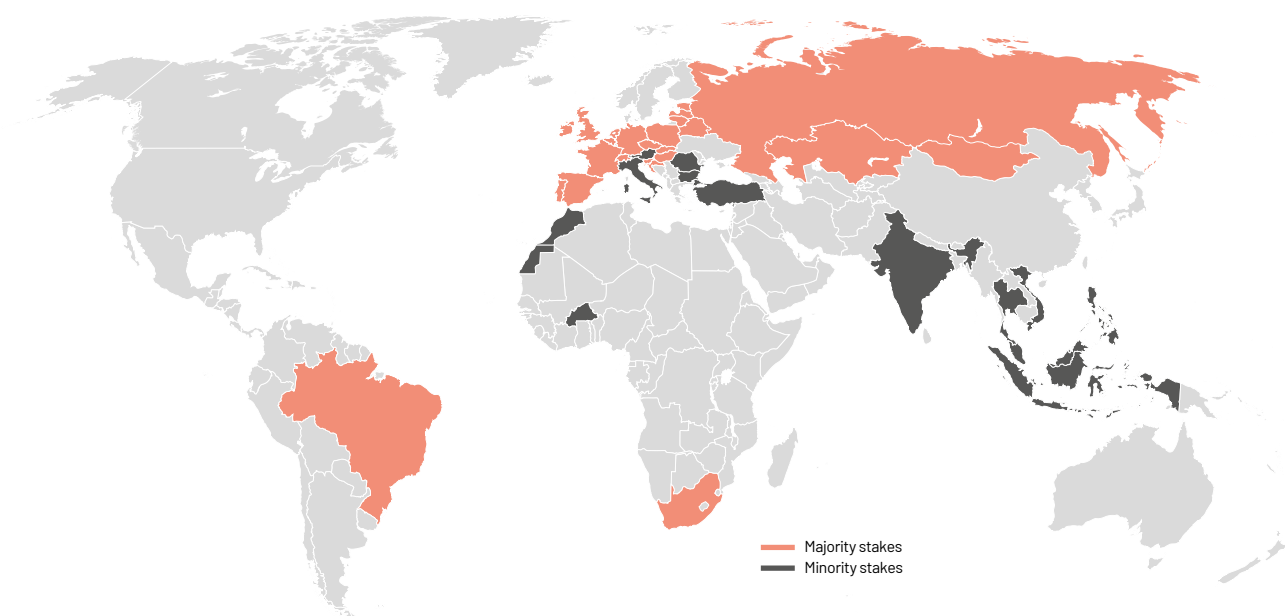
(1) Source: annual internal study.

5.3.3 A STRUCTURE BASED ON NETWORKS

DPDgroup's organisation enables it to offer European shippers and recipients a consistent and comprehensive offering of BtoB and BtoC delivery services across the continent and to the entire world.

5.3.3.1 An interconnected multi-domestic network

DPDgroup's network offers comprehensive and competitive coverage in all European countries. It is based on reliable domestic networks, has a thorough understanding of specific local characteristics and is totally interconnected within a high-performance international network.



DPDgroup operates in the European market:

- itself *via* wholly owned or controlled subsidiaries: under the DPD brand in Ireland, the United Kingdom, France, Belgium, Luxembourg, the Netherlands, Germany, Switzerland, the Czech Republic, Slovenia, Croatia, Poland, Slovakia, Hungary, Estonia, Latvia and Lithuania; under the Chronopost brand in France and Portugal; under the SEUR brand in Spain;
- *via* capital and industrial partnerships: in the Austrian market with a 25% stake in DPD Austria, in the Bulgarian and Romanian

markets thanks to a 25% stake in Speedy, and in the Italian market thanks to a 37.5% stake in BRT;

- through commercial partnerships with such front-ranking operators as PostNord in the Nordic countries (Denmark, Sweden, Norway and Finland); Lagermax in Southeast Europe; Nova Poshta in Ukraine.

As a result, DPDgroup is active across Europe, operating on its own in 23 countries. Thanks to its locations in these major

markets, it now has the most extensive parcel delivery network on the continent.

France, Germany and the United Kingdom account for 65% of its revenue. DPDgroup generates 78% of its revenue outside France.

Outside Europe, DPDgroup has expanded its presence in dynamic markets:

- itself, via wholly-owned or controlled subsidiaries: in Russia with a 78% stake in DPD Russia/SPSR; in Belarus and Kazakhstan with 100% shareholdings; in South Africa with a 75% stake in DPD Laser; in Brazil with the acquisition of a 60% stake in Jadlog;
- via capital and industrial partnerships: in India with a 43% stake in DTDC, in Turkey with a 25% stake in Yurtiçi Kargo, in Southeast Asia with a 35% in Lenton and non-controlling equity investments in Ninja Van, and in French-speaking Africa: Morocco (34%), Burkina Faso (40%);
- lastly, as regards international import and export flows, DPDgroup is positioning itself in the freight forwarding market through its Tigers subsidiary (72% owned), an international freight forwarding company operating in Asia, Australia, the United States and Europe, as well as in the international specialised pharmaceutical products forwarding market through its Biocair subsidiary.

DPDgroup has also built an air network, mainly via partnership agreements with airline companies⁽¹⁾, equity investments in international operators⁽²⁾, equity investments in companies offering domestic services⁽³⁾, and partnership agreements with other regional operators throughout the world. This air network, which operates from Chronopost's Roissy-Charles de Gaulle hub (France), delivers parcels to 230 destinations worldwide.

5.3.3.2 A growth model based on a hybrid BtoB-BtoC network

DPDgroup operates essentially in a market where volume growth is a key defining factor for success. The CEP market grew by 7.2% on average per year between 2012 and 2017, from 7.1 billion to 10.1 billion parcels⁽⁴⁾. While BtoB volumes increased by 3.8% on average per year, BtoC volumes rose considerably, with 11% growth on average per year over the period⁽⁴⁾.

In this context, flow pooling is a key factor in performance. The challenge is two-fold:

- being able to handle constantly growing volumes from the market and meeting customers' needs, especially key accounts;
- reducing unit costs during industrial processing (sorting and dispatch) and delivery phases (optimised rounds) and ensuring competitive products and services.

In 2008, DPDgroup was one of the first BtoB operators in the market to make the strategic decision to expand into the BtoC market. By pooling together BtoB and BtoC flow processing within its network, it was able to tap into the market's growth while improving competitiveness.

As a result, DPDgroup's volumes have grown faster than the pace of the broader market over the last several years: +9.6% in 2017 vs +8.6% for the CEP market⁽⁴⁾.

As a result, the BtoC share now represents 43% of its business volume in 2018.

DPDgroup's growth potential therefore relies on its ability to increase its market share in both BtoB and BtoC flows.

5.3.3.3 Operational excellence

High-quality shipping and delivery solutions guarantee customer satisfaction and loyalty.

DPDgroup makes substantial targeted capital expenditures, in order to drive growth, deliver a high quality of service and optimise its regional coverage, allowing it to strengthen and modernise its production capacity. In recent years, investments have been made in particular in favour of the opening and expansion of hubs in France and Europe, the regular renewal of delivery scanners, and the improvement of IT processes and data monitoring.

These investments help absorb the growth in mail volumes and in the management of the end-of-year activity peak, which is characteristic to the delivery market to private individuals (up to +40% in December, and now during the "Black Week" in late November).

(1) In particular, Air France-KLM, Cathay Pacific, American Airlines.

(2) Such as SoDexl (65%-owned by Air France SA and 35%-owned by GeoPost/DPDgroup) or Lenton (34.7%-owned).

(3) Such as DTDC in India, DPD Laser in South Africa, etc.

(4) Source: annual internal study.

5.3.4 SERVICE OFFERINGS

Via its DPD, Chronopost and SEUR brands, DPDgroup offers a comprehensive and innovative range of BtoB and BtoC services, in terms of:

- delivery times (domestic, European and intercontinental):
 - deferred delivery services, a standard delivery service that usually delivers next-day, without a delivery guarantee,
 - premium express (guaranteed next-day delivery, usually before 1 pm; date and time specified – refund if not delivered on time);
- customised solutions and value added service. These customised offers are adapted locally to meet customers' needs as closely as possible (parcel tracking, cash on delivery, online proof of delivery, insurance, collection requests, etc.). Available for domestic delivery, some of its products and services are also offered for import/export flows in order to facilitate international e-commerce trade.
- carbon footprint. DPDgroup is trying to minimise the last-mile emissions, and offsets the remaining emissions.

5.3.4.1 Comprehensive and innovative delivery offering

Home delivery

Seventy-nine percent of private individuals in Europe⁽¹⁾ prefer home delivery (door-to-door) which is DPDgroup's core business. However, this percentage has shed five points since 2016 in favour of alternative delivery places: pick-up points, at work, in a shop or in a package locker.

Delivery to pick-up points

The challenges raised by home delivery, with pressure on prices and the need to offer more flexibility and a wider range of delivery methods to recipients, make having a network of pick-up and drop-off points a real asset for increasing BtoC market share.

This strategic vision materialised in 2009 with the acquisition of Pickup Services.

The use of pick-up and drop-off points is gaining ground with e-shoppers in Europe: it is the second-most-popular delivery method for 17% of them⁽¹⁾. This is especially relevant in France (53%), Russia (40%), the Czech Republic (35%), Hungary (28%) and Belgium (27%).

DPDgroup meets this demand with Pickup Services, a subsidiary specialised in developing out-of-home delivery solutions such as

retail pick-up locations (tobacconists, newspaper and magazine stores, book and stationery shops, etc.), or in larger stores (large retailers, store networks, franchise networks, etc.).

DPDgroup has continued growing this model throughout Europe to offer shippers a unique and consistent network that meets the same standards in quality of service, processes and information systems – regardless of the location of the drop-off and pick-up points.

Today, DPDgroup has one of the most extensive networks of pick-up and drop-off points in the market. This network comprises 40,000 Pickup outlets in 25 countries in Europe (and 2,600 automated lockers in seven European countries), of which 9,500 in France⁽²⁾, 6,100 in Germany, 2,500 in the United Kingdom, 2,200 in Poland, 1,150 in Spain, 1,900 in Benelux, 600 in Portugal, 350 in Switzerland and 250 in the Baltic countries. This network of pick-up and drop-off points also extends to the Nordic countries via the partnership with PostNord.

Its aim is to ensure that 95% of Europeans are located no more than 15 minutes away by car from a pick-up or drop-off point.

Automated lockers

For the purpose of creating new parcel pick-up solutions for individual customers (BtoC), DPDgroup has set up a network of 320 automated "Pickup Station" lockers⁽³⁾ in high-traffic areas in France. Most Pickup Station lockers are accessible 24/7. In addition to the lockers installed in SNCF train stations and post offices, different types of locations (universities, hospitals, large retail stores) are currently being tested out.

DPDgroup also started rolling out its Pickup Station locker network outside France, particularly in Benelux, with 140 lockers installed (in partnership) and in the Baltic countries, with 220 lockers installed, where this delivery method is highly valued by private individuals.

Recipient interaction: the Predict service and the myDPD portal

In 2010, DPDgroup made the decision to prioritise innovation to help overcome the challenge of delivering to private individuals, and above all to ensure that first-time delivery attempts are successful.

DPDgroup uses new technologies to ensure that deliveries are organised in an optimal manner via round optimisation software that calculates and organises the delivery order on a daily basis. Thanks to this scheduling and the resulting delivery schedule predictability, DPDgroup has developed notification systems not only to notify recipients but also to interact with them.

- DPDgroup has created Predict, a unique interactive delivery service. Thanks to this service, DPDgroup is able to deliver to homes within a one-hour window announced the morning

(1) Source: 2018 edition of the DPDgroup E-shopper barometer conducted by Kantar TNS and DPDgroup in 22 countries with 24,328 respondents.

(2) Including a hundred in the French overseas departments.

(3) In January 2014, DPDgroup signed an agreement with Neopost ID, a subsidiary of Neopost, regarding the creation and operation of automated and secure locker networks installed in conveniently located areas to offer a flexible and secure solution to customers receiving parcels.

of the delivery (by email or text message). A flexible service par excellence, Predict also offers recipients the option to reschedule a delivery to another day or another location (new address, to a neighbour's house, or to the pick-up point of their choice), via smartphone or online.

Launched in 2010 by DPD UK, Predict has been rolled out to all subsidiaries. The service is now available in 22 countries⁽¹⁾, making DPDgroup the first operator to offer customers a one-hour delivery window throughout Europe.

- The mydpd portal: to allow ever greater customisation of the service by the recipient, DPDgroup has launched a new recipient portal accessible via an app and the web. Launched in 2016 in the United Kingdom, it will be gradually rolled out in roughly 15 countries. This new interface allows the recipient to receive information on the delivery in real time. Thanks to *live tracking*, recipients can follow the exact route of their parcel on a map. Recipients can also interact at any time: for instance, by redirecting a package to a pick-up point or a neighbour's house, or by changing the delivery date.

Choosing your delivery window: Precise

Continuing to research more flexible services for end-customers, DPDgroup has developed new services to enable recipients to choose their delivery day and window themselves when ordering online.

DPD UK launched the "DPD Precise" service in 2016, which allows the recipient to choose the date and one-hour window for delivery.

Similarly, in France, Chronopost has launched "Chrono Precise". This service is offered in the Greater Paris region during extended

delivery hours from 8 am to 10 pm, Monday to Saturday and Sunday morning.

It will be gradually extended to the Group's other subsidiaries, depending on customer interest and local practices.

5.3.4.2 An ambitious carbon commitment

In 2012, DPDgroup drafted a CO₂ emissions management policy based on three pillars: measuring emissions, reducing the maximum amount of emissions, and offsetting the remaining emissions.

Between 2013 and 2018, DPDgroup reduced its emissions by 10% by applying the most stringent Euro standard in replacing its thermal combustion vehicles, by increasing the carrying capacity of vehicles, by testing clean vehicles, and by optimising delivery rounds thanks to such services as Predict and delivery to pick-up and drop-off points. DPDgroup is currently setting a new emissions reduction target.

Since 2016, all remaining transport-related CO₂ emissions have been "offset" through six projects⁽²⁾ related to the production of cleaner, renewable energy: in Germany, the United Kingdom, the Czech Republic, Poland, India and Turkey. In 2017, DPDgroup extended its support to a seventh project, in Brazil.

Thus, since 2012, all deliveries made by DPDgroup are part of a carbon neutrality programme, at no additional cost for customers: DPDgroup is the world leader in the voluntary carbon offsetting market⁽³⁾.

5.3.5 MARKET TRENDS

In 2017, the European CEP market⁽⁴⁾ was valued at €54.4 billion⁽⁵⁾, representing 10.1 billion parcels. The market has enjoyed estimated growth of 6.4% by value and 8.6% by volume compared with 2016.

5.3.5.1 The growth of e-commerce is boosting both domestic and cross-border volumes

Domestic volumes

The expansion of e-commerce is helping grow the BtoC market (estimated at slightly above 50% of European CEP volumes in 2017)⁽⁶⁾, at both the domestic and the international level.

(1) Predict is available in the following 22 countries: Austria, Belgium, Croatia, Czech Republic, Estonia, France (Chronopost and DPD France), Germany, Hungary, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Romania, Russia, Slovakia, Slovenia, Spain, Switzerland and the United Kingdom.

(2) Since 2017, DPDgroup's CSR policy, known as "Driving change", is the subject of a specific report with in particular information on its carbon-offsetting projects: <https://www.dpdgroupdrivingchange.com/fr/page/carbon-neutral-commitment/our-initiatives>.

(3) Internal source based on analysing competitors' offerings, which include carbon-offsetting options for customers at a cost.

(4) CEP (Courier, Express and Parcel) market: transport market for parcels weighing less than 31.5 kg, which must be carried out through a network (including collection, sorting, transport and delivery operations); parcels generally include a tracking system (Track & Trace).

(5) Internal sources produced in 2018 for 2017. Small variations in measuring market size may occur due to changes in exchange rates, in particular.

(6) Source: annual internal study.

This trend is driven by the growth of European e-commerce, estimated at 13% in 2017⁽¹⁾.

Backed by this momentum, DPDgroup's ambition is to continue winning a substantial amount of new market share through its hybrid BtoB-BtoC network.

Cross-border volumes

Cross-border business corresponds to parcel import and/or export operations.

In 2018, 58% of European e-buyers had already purchased from a foreign site, an increase of five points compared with 2017⁽²⁾.

As a result, it is estimated that 56%⁽²⁾ of French Internet users have already made foreign purchases on the Internet. Countries with the most mature domestic e-commerce sites (such as the United Kingdom, Germany, France and Poland) have the "lowest" rates, but still higher than 47%. Among countries that have a smaller domestic offering, the percentage of e-shoppers who have already made purchases on foreign sites stands at 62% in Italy, 66% in Spain, 76% in Belgium, 82% in Switzerland and Portugal.

Modelled on the growth of e-commerce within the European Union, the European CEP market has been driven by growth in intra-European volumes. Europeans often buy products from a neighbouring country: for instance, Austrians buy products from German sites.

Lastly, when it comes to buying outside Europe, e-buyers make their purchases mainly on American (31%) and Chinese (47%) sites⁽²⁾.

5.3.5.2 A geographically concentrated market under consolidation

The CEP market is highly concentrated: Germany, the United Kingdom and France account for over 63% of the European express parcel market. Together with Spain and Italy, these five countries account for 73% of the market⁽³⁾.

As such, the market is biggest in the Western European countries, but the strongest growth momentum is to be found in Eastern Europe (Hungary: +18.9%; Poland: +16.3%; Croatia: +14.6%; Latvia: +11.4%; Lithuania: +10.9%)⁽³⁾.

The three largest postal operators (DHL Express in Germany, DPDgroup in France, and GLS and ParcelForce in the United Kingdom) hold approximately 51% of the European market⁽³⁾.

Compared with the United States, however, it remains a fairly fragmented market. Consolidation is therefore likely to continue, mirroring recent deals in the sector: the acquisition of TNT by FedEx in January 2016, the acquisition of the domestic Spanish operator ASM by GLS in June 2016, and that of the British operator UK Mail by DHL in October 2016.

The latest significant transaction is DPDgroup's non-controlling equity investment in the Italian operator BRT in January 2017.

5.3.5.3 The economic context and competitive environment weigh on market prices

The express and deferred parcel transport business is facing a high level of pricing pressure in both the BtoB and BtoC segments.

Two factors are contributing to the pricing pressure:

- parcel operators' increasing capacities;
- large customers' high bargaining power due to the consolidation of the e-commerce market around a handful of large e-retailers.

Furthermore, the costs linked to delivery to private individuals are higher than the costs linked to delivery to businesses, which causes additional pressure on margins.

On top of these factors, the positioning of the delivery offering compared to the global e-commerce offering: delivery tends to be considered as a "commodity" whose value is not recognised or hardly acknowledged by e-shoppers. These factors create a paradox where "toC" deliveries are more expensive and more demanding in terms of service, even while end-customers often expect to be offered the service for free.

DPDgroup offers the market a both commercial and industrial solution and continues to roll-out and expand the product offering and to optimise capital expenditure and means of production, thus enabling the group to continue expanding revenue and earnings.

5.3.5.4 Continued growth of mega e-retailers and "disruptors"

For the past few years, the CEP market has been characterised by sharp growth for major e-commerce giants (Amazon, eBay, Alibaba, etc.). Due to their large parcel volumes and their growth in logistics, these "mega e-retailers" are having a growing impact on the market.

Likewise, the arrival of "disruptors" in the market (Cubyn, Shypr, etc.) is changing the paradigm of last mile logistics services. Thanks to new technologies, these start-ups are offering new forms of intermediation between market players and new business models (crowd shipping, for example).

(1) Source: European E-commerce report 2018, E-commerce Foundation, June 2018.

(2) Source: 2018 edition of the DPDgroup E-Shopper barometer conducted by Kantar TNS and DPDgroup in 22 countries with 24,328 respondents.

(3) Source: annual internal study.

The development of differentiated delivery services centred on last mile logistics in urban areas is a central factor in these popular market trends. DPDgroup's strategy aligns with this dynamic. Its

service development policy combined with a targeted investment strategy enables it to think up new delivery solutions to meet the needs of both large e-commerce customers and recipients.

5.3.6 STRATEGY AND OUTLOOK

In a largely BtoB market, but driven by growth in BtoC, DPDgroup's strategy is both to expand its BtoB business and to capture BtoC growth.

DPDgroup has set three priorities to meet growth objectives and win market share:

- develop innovative last mile solutions;
- grow its positioning in the core market;
- invest in new buoyant market segments.

5.3.6.1 Developing innovative last mile solutions

The development of e-commerce has ushered in a real shift in the business: assets are no longer the only differentiating factor, but also innovation combined with operational excellence, which have become the determining success factors.

BtoC is an extremely demanding high-growth market segment: delivering to private individuals requires particular attention to both the quality of the delivery and the services offered to make the delivery simple and easy. This last mile performance relies on combining the largest variety of choices for the recipient and the constant search for optimisation of processes and costs.

DPDgroup is continuously focusing on enhancing the customer experience and increasing its commercial impact through personalised services, a competitive approach and individualised customer relationship management. Recent services, such as interactive delivery, Saturday delivery (Germany), Sunday delivery (the United Kingdom, Spain and France) and even delivery by appointment illustrate best practice within DPDgroup, which seek to simplify customers' lives and offer them more flexibility and speed.

Lastly, drone delivery testing illustrates this ongoing process to research new services.

5.3.6.2 Developing positions in our core markets: last mile delivery and cross-border flows

Last mile delivery

DPDgroup has been pursuing a development strategy in the domestic markets in Europe for the past 20 years.

Outside Europe, DPDgroup aims to expand its positions, by applying the method that proved its success in Europe: acquisition of domestic delivery leaders to which DPDgroup then provides its expertise to implement innovative services, vectors of growth.

For example, in Brazil, following the acquisition of a 60% stake in Jadlog in 2016, a network of 2,700 Pickup points is gradually being set up, making it the first network of pick up and drop off points in Latin America at the end of 2018.

In addition, with its acquisition of Ninja Van, one of the main parcel delivery companies in the region, DPDgroup has access to the very dynamic market of Southeast Asia (Singapore, Indonesia, Malaysia, Philippines, Thailand and Vietnam). This is evidenced by the frenzy caused by the "Singles Day" celebrated on 11 November 2018 (a sales event set up by the Chinese web giant Alibaba, as an equivalent to the American "Black Friday" event), where nearly 2.5 million parcels were delivered over the course of the week.

In 2018, Ninja Van set up the largest network of pick up and drop off points in Singapore, in partnership with the website Lazada (the largest online shopping site in Southern Asia).

Cross-border flows

With globalisation and increasing growth in cross-border e-commerce, customers are going international and looking for a reactive delivery partner capable of lending their expertise in customs operations and preparing for customs clearance to satisfy their own customers.

DPDgroup's international export flows represent approximately 14% of its total volumes and have recorded substantial growth of around 14%.

In the heart of its international network, the Roissy-Charles de Gaulle hub operated by its subsidiary Chronopost is the central transit point for all international flows. The hub has 350 permanent employees and sees over 16 million parcels pass through per year. The site has profound expertise in customs clearance. Lastly, Chronopost is AEO (Authorised Economic Operator) certified.

In Europe, the single market has eliminated the cross-border effect. This is the foundation of DPDgroup's acquisition and growth strategy: to develop key domestic players and organise them within a high-performance pan-European network to support the development of cross-border traffic and capture its growth.

While official talks on Brexit continue, DPDgroup is preparing its organisation for potential major changes in the organisation of trade and the flow of goods between the United Kingdom and the European Union to ensure a smooth cross-border parcel delivery process. That is why DPDgroup is a committed player in the Brexit discussions, and is preparing to adapt its network as needed, based on the most likely outcomes.

Despite this context, whose consequences on international parcel transport are not yet known, DPDgroup is confident in its ability to continue the development of its cross-border flows, thanks to its experience dealing with customs clearance issues and its pan-European presence, which allows it to support relocations of flows.

Outside Europe, DPDgroup's long-standing strategic partnerships and its positions in the freight forwarding sector, together with the development of partnerships in Asia, are aimed at promoting flows between Asia and Europe, notably from e-commerce, and ensuring delivery to European consumers via its unified DPDgroup network.

5.3.6.3 Investing in new market segments

Food retail e-commerce

The digital revolution and rise of the e-commerce food market have brought about changes in society and new consumer expectations, which have in turn generated new preferences that favour shopping local and local systems.

The food market is thus preparing to transform, with manufacturers as well as the agri-food industry rethinking their distribution channels. The market has high expectations for an innovative, competitive and economically viable solution in the express delivery model.

Launched by Chronopost in France in 2015, Chronofresh has been a great success in the BtoC and BtoB markets alike. Each month, Chronopost delivers 180,000 dry, chilled and/or frozen food parcels.

Within DPDgroup, food delivery is also available in Spain, with SEUR's Frio service.

The same-day delivery market: delivery within a few hours and time-sensitive deliveries in urban areas

DPDgroup's customers can opt for same-day delivery in Spain, Portugal, France, the United Kingdom, Hungary, Poland, Estonia, Lithuania and Latvia, and even within two hours in Germany (DPD Now) and Spain (SEUR Now).

Urgent urban delivery by courier has grown strongly since 2015, with the emergence of numerous players. In March 2017, DPDgroup increased its equity investment in the French company Stuart to 100% (22%-owned since 2015). Founded in late 2014, Stuart has developed a mobile app for shops and companies that need to deliver a parcel at a specific time and place: using this app, customers can have their orders delivered by professional couriers in less than one hour. Through Stuart, DPDgroup intends to invest in

same-day delivery, a complementary activity to the group's delivery rounds. Stuart now operates in 58 cities in three countries: France (28 cities), the United Kingdom (28 cities) and Spain (2 cities).

The healthcare market

The healthcare market is a segment that requires specific expertise. DPDgroup started to position itself in this market with Biocair in 2012, subsequently acquiring BioLogistic, through its subsidiary Chronopost, in France in July 2016. BioLogistic is a leading player in the field of temperature-controlled transport in France.

In December 2017, Chronopost France further pursued its development strategy in controlled temperature transport (food, fresh, healthcare) by signing a purchase agreement for 100% of ALP group (Delifresh, Freshlog and 360° services). This acquisition became effective in the course of the first half of 2018.

Developing responsible smart urban delivery

Volumes derived from e-commerce are booming: DPDgroup's internal experts expect parcel volumes delivered to double by 2025. As over 73% of Europeans live in cities⁽¹⁾, city centres are increasingly subject to congestion and pollution, and urban mobility accounts for roughly 40% of road transport-related CO₂ emissions. To respond to these societal challenges, all of Le Groupe La Poste's business units are working together within the Urban Logistics Joint Priority Programme (*Programme prioritaire commun Logistique urbaine – PPC LU*) to develop expertise, solutions and exchanges with all stakeholders in France and Europe.

In 2016, La Poste also opened the first urban logistics centre in Bordeaux, enabling city-centre deliveries with 500 alternative vehicles (electric or gas) regardless of the Group entity in charge of the delivery. The system also includes 15 automated Pickup lockers spread across the city. DPDgroup's commitment is reflected in the establishment of responsible and clean delivery solutions in several European cities:

- in Madrid, SEUR has already installed five micro-depots in cities where rounds are performed on foot, by bike or in electric vehicles;
- in Warsaw, DPDgroup is also rolling out a network of urban spaces with trying rooms, allowing for instant return if the garment is not suitable;
- in the autumn of 2018, DPD UK's first urban depot opened in London with a view to performing clean last mile deliveries with 14 electric vehicles. This site is the first in a more comprehensive plan for covering the city;
- lastly, Chronopost France is continuing the rollout of a network of micro depots allowing clean deliveries throughout the Paris region by the end of 2019.

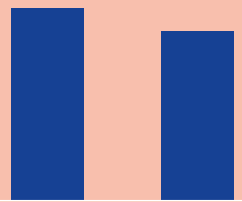
Discussions are underway with authorities in about 20 French and other European cities.

(1) Source: LSE cities.

5.4 La Banque Postale

2018 KEY FIGURES

REVENUE



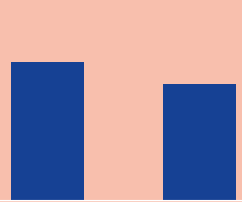
2017

2018

€5,687M

€5,570M

OPERATING PROFIT/(LOSS)*



2017

2018

€870M

€813M

* Operating profit/(loss) after share of net profit/(loss) of jointly controlled entities.

TOTAL BALANCE SHEET

€245BN
(+€13.8BN)

CET1 RATIO

11.7%⁽¹⁾
(-1.7 point)

NUMBER OF EMPLOYEES

17,257⁽³⁾

LOAN TO DEPOSIT RATIO

86.4%
(+51 points)

COST OF RISK

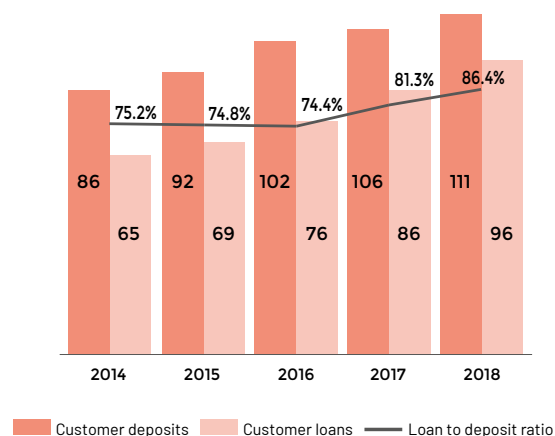
€133M
14 basis points⁽²⁾

2018 key highlights

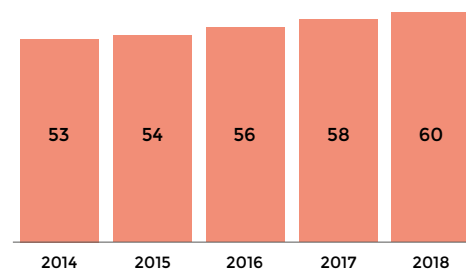
- Announcement of the strategic equity alliance project between La Banque Postale and CNP Assurances.
- Receipt of approval for the launch of "Ma French Bank", the fully digital and responsible bank.
- Announcement of the acquisition of Société Générale's 35% interest in the La Banque Postale Financement subsidiary.
- Commitment by La Banque Postale Asset Management to become the first fully SRI-focused mainstream asset manager by 2020.
- Launch of new online offers: micro-credit solution, fully online life insurance contract EasyVie and e-credit pro express.

La Banque Postale's balance sheet total, which reached €245 billion at 31 December 2018, includes €111 billion in outstanding customer deposits (excluding centralised savings at CDC) and €96 billion in outstanding customer loans, bringing its loan to deposit ratio to 86.4%.

Outstanding customer deposits⁽⁴⁾ and loans (in €bn) and loan to deposit ratio (%)



Outstanding home loans (in €bn)



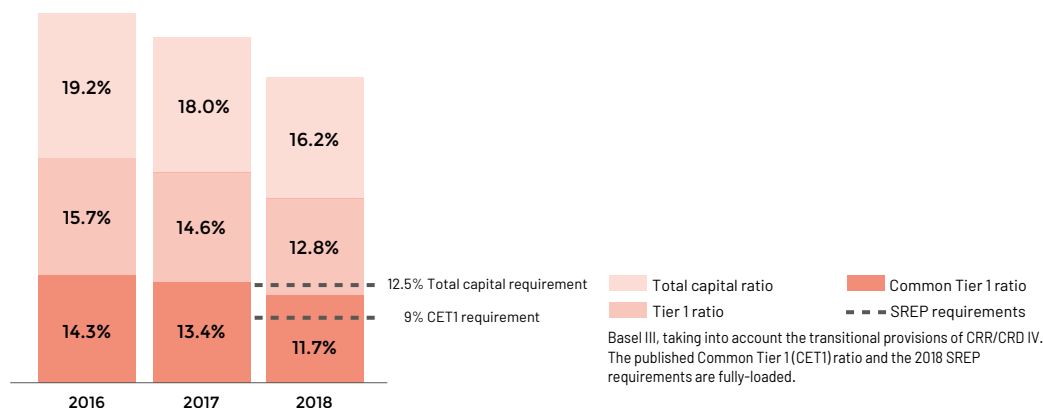
(1) Ratio fully loaded.

(2) Cost of risk for the commercial bank.

(3) Full-time equivalents on average.

(4) Customer deposits exclude savings centralised at CDC.

Moreover, La Banque Postale has solid solvency ratios.



5.4.1 OVERVIEW OF LA BANQUE POSTALE

A limited liability company with Management and Supervisory Boards, La Banque Postale is a wholly owned subsidiary of Le Groupe La Poste.

It has three divisions:

- retail banking, its core business line, providing banking products and services to private individuals, businesses, and social economy and local public segment players (see Section 5.4.2.1);
- insurance, with life insurance provided through CNP Assurances and contingency, property and casualty, and healthcare insurance provided through the Bank's insurance subsidiaries (see Section 5.4.2.2);
- asset management, provided by asset management subsidiaries providing savings and investment products for individual customers and legal entities (see Section 5.4.2.3).

From the outset, La Banque Postale's business model has been based on the values inherited from La Poste, namely trust, accessibility and local presence, which explains why La Banque Postale enjoys an original and unique position in the French market. Its market policy focuses on simple and affordable products that are tailored to meet the needs of its customers.

Pursuant to Article 16 of law No. 2005-516 of 20 May 2005 and its Implementing Decree of 30 August 2005, La Poste is required to hold a majority stake of its subsidiary.

Le Groupe La Poste holds all of the capital and voting rights of La Banque Postale, with the exception of one share held on loan by the Chairman of the Supervisory Board. There is no employee share ownership.

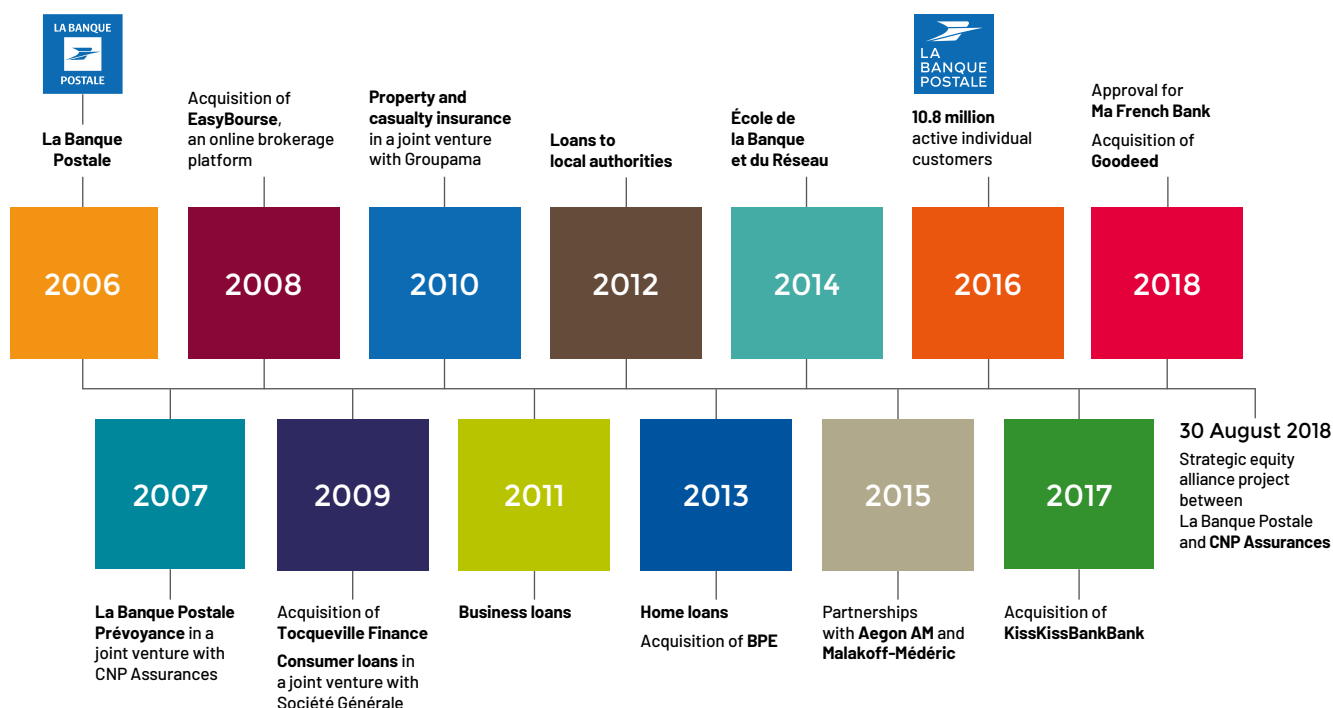
La Poste and La Banque Postale have a very close relationship. This closeness is reflected in both their governance and management bodies and their industrial and commercial relations. The Chairman of La Banque Postale's Management Board serves as Executive Vice-President of La Poste and is a member of its Executive Committee. La Banque Postale's Supervisory Board comprises six members from Le Groupe La Poste, some of whom serve on the Board committees. The Chairman of La Poste is also Chairman of La Banque Postale's Supervisory Board.

La Poste is La Banque Postale's leading service provider; its resources serve to facilitate La Banque Postale's operations. As such, and in accordance with Article 16 of law No. 2005-516 of 20 May 2005, various agreements have been concluded between La Poste and La Banque Postale.

As a subsidiary of Le Groupe La Poste, La Banque Postale must obtain prior authorisation from La Poste's Board of Directors to perform certain transactions, including acquisitions, equity investments, asset disposals, strategic partnerships, significant investments or divestments. It must seek prior approval for any loan made by La Banque Postale with a significant impact on Le Groupe La Poste's consolidated balance sheet.

Lastly, La Banque Postale is also La Poste's main banker. In addition to the close relationship with La Poste, La Banque Postale has frequent contacts with "Agence des Participations de l'État" (APE) which is regularly informed of the Bank's strategic areas of focus.

5.4.1.1 Background



As the successor to La Poste Financial Services, La Banque Postale was established on 31 December 2005 from the legal transformation of EfiPoste, an investment company created in 2000 to ensure the financial management of La Poste's outstanding sight deposits, as well as from La Poste's desire to create a banking subsidiary that is able to carry all of its customers' deposits and loans on its balance sheet. In application of Article 16 of law No. 2005-516 of 20 May 2005 and its implementing decree of 30 August 2005, La Poste, a public industrial and commercial establishment (EPIC), transferred to La Banque Postale, with effect from 31 December 2005, all of the property, rights and obligations of all kinds related to its financial services, including shareholdings, with the exception, if applicable, of those required for the activities which it conducted directly. As a result of these transactions, La Poste holds the entire share capital of La Banque Postale (with the exception of one share held on loan by the Chairman of the Supervisory).

The public service mission of guaranteeing banking accessibility, a specific feature inherited from La Poste, is translated by a set of benefits and rights related to Livret A savings accounts, with it being the sole banking network to offer this service to retail customers. In this respect, La Banque Postale:

- is obliged to open a Livret A savings account free of charge for any person who so requests;
- authorises domiciliation of the Livret A savings account for the payment of social security benefits, public employee pensions and direct debits pertaining to payments of taxes and levies, water, gas and electricity payments and social housing rent;

- is the only bank where withdrawals and deposits on Livret A savings accounts are also allowed from €1.50.

Since its creation, and in accordance with its authorisation, La Banque Postale has expanded its range: home loans without requiring a prior savings account (in 2006), consumer loans (in 2007), property and casualty insurance (in 2009), financing product and service offerings to legal entities (in 2011) and local authority finance offers (in 2012).

Since that date, La Banque Postale has offered all retail banking products and services and has continued growing through new acquisitions and by forging and strengthening partnerships.

In 2017, La Banque Postale completed its universal banking offer by creating its "Banque de Financement et d'Investissement" (Financing and Investment Bank) which unites the activities related to transactions on financial markets, structured financing, assets and projects.

On 30 August 2018, the Minister of the Economy and Finance announced the strategic equity alliance project between La Poste and Caisse des Dépôts (CDC). This proposal is in line with La Banque Postale's transformation plan and contributes to the pursuit of its strategic objectives: build a comprehensive and diversified bancassurance group with CNP Assurances.

5.4.1.2 Organisational structure

The structure of La Banque Postale reflects La Poste Financial Services' organisation chart and consists of:

- La Banque Postale, parent company to which the activities of La Poste Financial Services were transferred: at the core of the retail banking business, La Banque Postale directly holds the most recent acquisitions;
- SF2, a holding company that includes 23 subsidiaries and equity investments (except for entities that are directly held): SF2 was created during the La Poste Financial Services era, and was transferred to La Banque Postale when it was established in 2005, at which time it already controlled a large majority of the Insurance and Asset Management subsidiaries.

Operational relations with Le Groupe La Poste

Wholly owned by La Poste, La Banque Postale is both the Group's customer (in particular of the Services-Mail-Parcels and Network business units) and supplier, acting as its primary bank. La Poste acts as a service provider by assigning to La Banque Postale employees who work "in the name and on behalf of" La Banque Postale.

The relationship between La Banque Postale and La Poste falls within a framework governed by service agreements provided for by law No. 2005-516 of 20 May 2005 relating to the regulation of postal activities (Article 16). These measures consist of a framework agreement that defines the general principles and responsibilities between La Poste and La Banque Postale. This agreement is supplemented by 14 agreements spread out over five areas:

- IT and telecommunications;
- staff assistance and housing;
- counters, self-service kiosks and sales distribution;
- controls, risks, compliance, fight against money laundering and the financing of terrorism;
- support functions.

The La Poste employees assigned to La Banque Postale implement the Bank's policies in its name and on its behalf. In accordance with

specific rules, they were given the necessary powers by the Bank to carry out banking activities, primarily performing back-office and middle-office operations, IT support and La Banque Postale's banking, financial and insurance product sales force.

Counter services are provided by La Poste Network's post offices and are governed by agreements specifying the types of transactions to be carried out, the relevant unit price in accordance with an economic model, the prescribed procedure and quantitative and qualitative service criteria.

Organisation of La Banque Postale

La Banque Postale's organisation also relies on:

- 43 subsidiaries and strategic equity investments;
- resources provided by Le Groupe La Poste including: the capacity of distribution of the 17,264⁽¹⁾ La Poste retail outlets (of which more than 8,145 are wholly owned), a dedicated IT Department and the business driven by 23 financial centres⁽²⁾. Of these financial centres, 2 are national with specific expertise⁽³⁾. They receive and deal with customer requests, perform administrative file management, produce means of payment, handle mail and documents, carry out risk and fraud management activities, and manage distance product sales;
- three different types of participants who work every day to maintain relationships with the Bank's customers:
 - the personnel of La Banque Postale or its subsidiaries, i.e. 5,211 directly employed staff throughout France,
 - the personnel from La Poste Financial Services⁽⁴⁾, i.e. 13,621 employees. These employees are placed under the responsibility of the Chairman of La Banque Postale's Management Board, in his capacity as Executive Vice President of La Poste in charge of financial services,
 - the banking advisers and customer managers in post offices under La Poste Network management within the banking advisory line and the ASB⁽⁵⁾, i.e. 10,094 employees.

In total, almost 29,000 employees work for and on behalf of La Banque Postale⁽⁶⁾.

(1) Including the 26 special status retail outlets.

(2) 19 in mainland France and 4 in French overseas departments and territories.

(3) Customer relations, marketable securities, commercial and home insurance, electronic transactions management, digital money orders and electronic payment orders, loans.

(4) Financial services include the financial centres, the national centres and the IT Department of financial services and La Poste Network.

(5) The banking advisory line (LCB – Le Groupe La Poste employees working in the name of and on behalf of La Banque Postale). The following roles are taken into account in the LCB: customer adviser, financial adviser, customer manager, specialist wealth management adviser, specialist real estate adviser, social housing loan specialist, home loan adviser, banking support function (ASB): bank sales monitor, dedicated manager for young customers, loan assistant and operations director of real estate requirements.

(6) Permanent contracts, limited-term contracts and temporary staff.

5.4.2 LA BANQUE POSTALE'S ACTIVITIES

5.4.2.1 Retail banking

Core business of the Bank, retail banking covers daily banking products and services for private individuals, businesses, as well as social economy and local public segment players. It offers its customers a comprehensive and responsible range of banking and insurance products and services.

In 2018, the retail banking business recorded the following key figures:

- 10.3 million active individual customers;
- 9,600 advisers in the banking advisory line;
- 17,264⁽¹⁾ La Poste retail outlets;
- €5.2 billion in net banking income;
- €314.6 billion in outstanding managed savings;
- €93.0 billion in outstanding loans.

Furthermore, the year featured the following highlights:

- speeding up of the implementation of the digital transformation strategy with the acquisition of Goodeed, a digital platform for donations made by private individuals for NGOs and solidarity-based non-profit associations;
- the continued development of companies with the launch of the "Business Energies" certification;
- speeding up of the subscription of consumer loans and launch of "Prêt Express" (Express loan), a financing solution with an immediate and binding response;
- the provision of financial support and expertise to Créa-sol, an organisation specialising in personal micro-credit, to create a 100% digital micro-credit loan processing, financing and management solution;
- roll-out of the digital banking inclusion plan in one thousand post offices, on the occasion of the second edition of the "Assises de la Banque Citoyenne";
- opening of 23 "Espaces BPE" (BPE Spaces) for the private bank of La Banque Postale located in post offices in several cities in mainland France and French overseas departments and territories. There were 45 BPE Spaces at the end of 2018;
- announcement, in December 2018, of the disposal of its 50% shareholding in the "Titres Cadeaux" subsidiary jointly owned with Natixis, which will become the sole shareholder.
- announcement, in December 2018, of the purchase of Société Générale's 35% stake in the La Banque Postale Financement subsidiary. At the end of the transaction, in 2019, La Banque Postale would hold 100% of it.

Private individuals

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

In order to make daily life simpler for its customers it proposes the "Formule de Compte" offer, which proposes products and services that can be personalised according to each customer's needs and financial position. With almost 625,000 gross openings in 2018, the number of "formules" reached 6.7 million at the end of 2018.

Similarly, La Banque Postale supports its customers with their projects. Thanks to its dynamic focused on the customer experience, home loans and consumer loans are both up. Outstanding amounts have increased, over one year, by 3.4% and 1.9% respectively.

Moreover, it is present and active with regard to high net worth customers. These customers are strategically important for La Banque Postale and play an important role in its amounts outstanding, with over €100 billion of outstanding sight deposits and savings at the end of 2018. Similarly, high net worth customers represent over 20% of the NBI from private individual customers in 2018. By the end of 2018, almost 700,000 high net-worth customers had placed their confidence in La Banque Postale to help them build, grow and manage their assets.

La Banque Postale focuses on its young customers. La Banque Postale has renewed and broadened its offering targeted at customers in the 16-25 age bracket to support them at the key times in their lives, through its #TalentBooster offering. Thanks to its new range of banking services for young people, retail banking is experiencing sustained growth concerning the opening of bank accounts in the 16-17 age bracket with an increase over a year of +18% of special accounts held by these customers.

La Banque Postale is also developing its appeal with families through the new partnership signed with Maxicours.com. Thanks to this initiative, La Banque Postale has already enabled 70,000 of its customers' children to gain one year of free access to this online schooling service. This unique and community-focused positioning is reinforcing customer loyalty with a decrease in the erosion of underage customers of 15% over a year.

In 2018, the Private Individual customer segment has been dynamic, illustrated by the following key figures:

- €58.4 billion in outstanding sight deposits (+4.4%);
- €82.0 billion in outstanding ordinary savings (+1.2%);
- €60.4 billion in outstanding home loans (+3.4%);
- €4.9 billion in outstanding consumer loans (+1.9%).

(1) Including the 26 special status retail outlets.

Legal entities

La Banque Postale regularly enhances its offerings in order to provide even greater support to legal entities with regard to their overall business with, in particular, VAT bridging loans, crowdfunding (Lendopolis), the launch of the Visa Platinum Business bank card, acceptance of Chinese cards in electronic payment acceptors, marketing CNP Assurances investment offerings, and the new cash and receivables management offering.

It also initiates partnerships intended to simplify the daily life of legal entities: with the "Conseil Supérieur de l'Ordre des Experts-comptables" (Council of the French Institute of Chartered Accountants), with "Economie d'Énergie" (Energy Economy) to optimise the energy performance of the real estate stock of social housing associations, with the Ile-de-France Chamber of Commerce for financing SMEs in Greater Paris.

With 700 business managers, 32 Social Economy Companies' business centres, 8 Local Public Sector business centres, a team dedicated to Key Accounts, La Banque Postale is mobilised while also providing a local focus across all areas of its expertise.

In 2018, La Banque Postale had almost 365,000 legal entity and local government customers, and enjoyed a stellar reputation as a renowned banker in its territories. Its subsidiary, La Banque Postale Crédit Entreprises, plays its part in this approach by providing specific responses *via* factoring, real estate financing, as well as equipment leasing (CBM) and property leasing (CBI).

Concerning the Corporate Customer segment, the total number of customers increased by 2.4%, symbolising the start of development of the bank in this segment. Furthermore, in 2018 La Banque Postale launched "Business Energies", a relationship-focused programme aimed at businesses: coordination of local focus expertise (cash flow management, financing, investment, insurance), sector-specific meetings to share experiences with its counterparts, workshops led by experts to understand the economic context, meetings with Local Public Sector specialists from La Banque Postale to share their analysis. As a result, La Banque Postale is becoming a strategic partner to support the growth of companies and unleash their entrepreneurial energy.

Lastly, La Banque Postale continues to be a permanent player as a community-minded bank with the Local Public Sector, including when natural disasters such as flooding occur (financing budget of €100 million at 0% rate of interest for the people having suffered damage as a result of flooding in the Department of Aude). The outstanding amounts granted to CAFFIL, refinancing medium- and long-term loans granted by La Banque Postale to local authorities and public health establishments, reached €3.4 billion. La Banque Postale has consolidated its position as the leading lender to local authorities.

At the end of 2018, the Legal Entity customer segment continues to grow, as borne out by the following figures:

- €18.5 billion in outstanding Corporate loans (+40.5%);
- €8.7 billion in outstanding Local Public Sector loans (+7.2%).

Financially vulnerable customers

In addition to its banking accessibility mission and a responsible pricing policy, La Banque Postale plays an essential role in the fight against banking exclusion. It strives on a daily basis to enable as many people as possible to gain access to high-quality banking services and to support its customers faced by financial fragility, in order to prevent over-indebtedness and develop an unprecedented global banking inclusion approach.

In 2018, La Banque Postale decided to become a patron of Créa-Sol, a microfinance institution, through its financial, people-centred and institutional support in order to speed up access to this financing solution tailored to customers suffering from financial fragility. Through this action, Créa-Sol reproduces the operational coordination strategy employed by La Banque Postale for its personal micro-credit offering, based on a solid relationship between social officers and business managers based throughout France. Within the framework of this innovative social partnership, a 100% digital micro-credit processing, financing and management solution has been designed, to significantly reduce the time taken to grant loans, enabling customers waiting for a response for this financing solution to be better served. At the end of 2018, after a year of transition, linked to putting in place this new partnership, nearly 2,000 personal micro-loans were granted by Créa-Sol, compared with 150 in 2017.

La Banque Postale's commitment also extends to several banking education projects, carried out notably by La Banque Postale or Le Groupe La Poste employees under a volunteer skills programme to promote banking inclusion.

In April 2018, La Banque Postale held the second "Assises de La Banque Citoyenne" (Citizens' Bank Conference). During this conference, La Banque Postale presented the first stages of the roll-out of its digital banking inclusion plan, in collaboration with WeTechCare, a social startup.

Retail banking partnerships

To expand the range of its activities and expertise and with a view to meeting its customers' needs more efficiently, La Banque Postale has put in place a very active partnership policy. With regard to retail banking, La Banque Postale has, in particular, forged partnerships within the context of its activity concerning loans and methods of payment with regard to the Local Public Sector and its activity concerning "Chèques emploi service universel" (CESU) [Special chequebook for employers].

Loans offering

- loans to local authorities and to hospitals (La Banque Postale Collectivités Locales): Created in 2013, La Banque Postale Collectivités Locales, which is 65%-owned by La Banque Postale and 35%-owned by Caisse des Dépôts, provides services related to La Banque Postale's marketing of loans to local authorities and hospitals. Eligible loans are refinanced by CAFFIL (Caisse française de financement local);

- special loans for legal entities (La Banque Postale Cr dit Entreprises): La Banque Postale Cr dit Entreprises, a wholly owned subsidiary of La Banque Postale, launched its activity in 2012, targeting, in particular, equipment leasing (CBM) and property leasing (CBI) for legal entities. In 2014, the subsidiary began extended its business to factoring, and then gradually to other real estate financing for legal entities (mortgages and financing real estate development in particular);
- access to home ownership (SOFIAP): Since 2014, La Banque Postale has a 66% stake in SOFIAP, with the other 34% held by SNCF (French National Railways). SOFIAP provides home loans essentially to SNCF employees and also, since the end of 2014, loans falling within the scope of special agreements with state bodies to Engie employees.

Means of payment

- electronic payments (Transactis): In 2008, La Banque Postale and Soci t  G n rale created Transactis, a joint venture designed to pool resources from the two partners in order to develop and operate electronic payments management information systems. In June 2016, the two banks decided to forge a new partnership based on this operational structure to enable Transactis to handle all of the transactions of La Banque Postale and Soci t  G n rale with shopkeepers as well as all of the flows of both establishments and to dispose of a common platform for managing the computer processing of all the transfer and direct debit transactions of the two groups;
- payment on the Internet (Paylib): In 2013, BNP Paribas, La Banque Postale and Soci t  G n rale launched Paylib, a company offering a new, simple and secure Internet payment solution. Cr dit Mutuel Ark a joined the consortium in July 2014, followed by Cr dit Agricole in November 2014. La Banque Postale holds a 16.67% stake in the company.

Local Public Sector

La Banque Postale works with CAFFIL through the "Originate to distribute" mechanism, with CAFFIL stating the amounts outstanding transferred by La Banque Postale on its balance sheet. CAFFIL is wholly owned by SFIL, which in turn is 75%-owned by the French State, 20% by Caisse des D p ts and 5% by La Banque Postale. In November 2018, the French State announced having started discussions with Caisse des D p ts with a view to selling its stake in SFIL to the latter; this project comes within the scope of the plan to create a major public financial unit.

Ch ques emploi service universel (CESU) [Special chequebook for employers]

At the end of 2017, La Banque Postale sold its "Titre CESU" customer portfolio to its subsidiary Domiserve, wholly acquired at the beginning of the same year. In 2018, La Banque Postale consequently withdrew from the "Groupement d'Int r t Economique Centre de Redemptions des CESU-GIE CR CESU" (Economic Interest Group - Centre for Redeeming CESUs) and requested that the "Direction G n rale des Entreprises" (Directorate General for Enterprises) withdraw its accreditation to issue CESUs. Domiserve is henceforth the issuer of CESUs with regard to La Banque Postale and has a 20% stake in GIE CR CESU along with four other partners.

5.4.2.2 Insurance

The Insurance business, handled by a team of 649 employees, includes the subsidiaries that design, develop and manage all the products concerning insurance and customer relations in this field. La Banque Postale is a player in the life insurance, household insurance, and property and liability insurance markets. It is intended for individual customers, professional customers and non-profit organisations.

In 2018, the Insurance business recorded the following key figures:

- a portfolio of 4.6 million contracts;
- €261 million in net banking income;
- €124.1 billion in outstanding life insurance.

Furthermore, 2018 saw the following highlights:

- launch of EasyVie, a 100% digital life insurance solution marketed by Easybourse and developed in partnership with CNP Assurances, which offers a modular policy with a choice of two management modes (free management or discretionary management mandate);
- launch of the new Personal Accident Insurance product, marketed since January and which has already been taken out by 128,000 customers. This new cover is experiencing great success with its value for money being hailed by the "60 millions de consommateurs" magazine;
- proposal for the inclusion of free real estate resale cover in the home insurance offering, making La Banque Postale the first banking and insurance company to offer this solution to owners.

Life insurance

La Banque Postale is a shareholder (current stake of 20.15%, of which 18.14% *via* Sopassure and 2.01% *via* a call option) and distributor of CNP Assurances for which it markets life insurance and investment-type insurance products. In 2018, La Banque Postale represented 26.4% of the revenue of CNP Assurances. Similarly, CNP Assurances products represent the thrust of the La Banque Postale offering.

La Banque Postale offers segmented life insurance and retirement solutions geared towards better meeting the needs of its customers:

- retail customers, with offers available to the general public through adapted and scalable solutions;
- high net-worth customers, with flexible and customisable policies designed specifically for the high-end market. Multi-fund and multi-manager, certain ranges developed with CNP Assurances, or with Allianz, La Banque Postale's other partner, also offer discretionary management.

In 2018, life insurance outstandings reached €124.1 billion, a decrease of 1.6% compared with 2017. The portion of the unit of account (UA) was 11.9% in 2018, an increase of 1 point compared with 2017.

Contingency insurance

La Banque Postale Prévoyance, a wholly owned subsidiary of La Banque Postale, offers a comprehensive range of individual contingency products covering all requirements concerning protection against “everyday life risks” and providing a wide range of services in addition to financial services.

In 2018, buoyed by the success of the new Personal Injury Insurance product, business in this segment grew by 6.4%.

With more than 285,000 new contracts in 2018 and more than 2.7 million policies in its portfolio at the end of 2018, virtually unchanged over a year, La Banque Postale Prévoyance has positioned itself as a major operator in the French contingency insurance market.

Healthcare

La Banque Postale Assurance Santé, a 51%-owned subsidiary of La Banque Postale, has an offer of private health insurance for private individuals as well as an employee health insurance offer for company personnel. Consistent with the values of Le Groupe La Poste and its public service missions, La Banque Postale Assurances IARD in conjunction with La Mutuelle Générale and Malakoff-Médéric, also markets a supplementary health insurance assistance product under the name “Oui santé”.

As a result, with almost 64,000 new contracts in 2018, and almost 188,000 contracts in the portfolio at year-end, La Banque Postale Assurance Santé confirms the success of the roll-out of health insurance offers within La Banque Postale.

Property and liability insurance

La Banque Postale Assurances IARD, a subsidiary in which La Banque Postale has a 65% stake and Groupama the remaining 35%, offers private individuals a range of property and casualty insurance cover. The core range focuses on Automotive, Multi-Risk Home and Legal Protection cover, marketed to customers *via* a multichannel approach (smartphones, Internet and post offices) providing them with a choice concerning the type of relationship they are looking for and enabling them to anticipate changes in terms of uses.

In an extremely competitive environment with slow growth, La Banque Postale Assurances IARD crossed the threshold of 1.7 million policies at the end of 2018, seven years after its launch, up 3.6% by volume year on year.

Furthermore, La Banque Postale Conseil en Assurances, the Group’s insurance broker and a wholly owned subsidiary of La Banque Postale, designs and proposes “turnkey” insurance, assistance and service offerings for the different departments and subsidiaries of La Banque Postale and, more generally, Le Groupe La Poste as a whole.

These offerings primarily relate to current accounts (the Alliatys means of payment insurance taken out by more than 7 million customers by the end of 2018), insurance for bank cards (over 7 million), mobile telephone devices, savings products, credit products of all kinds for private individuals as well as for professionals, associations, businesses and social housing associations.

Insurance partnerships

The growth of La Banque Postale is based on the know-how of leading players in the field of Insurance, and in particular life insurance, contingency insurance, property and casualty insurance and health insurance.

Life insurance: CNP Assurances

The conditions for the distribution of life insurance products are specified in a commercial agreement renewed in March 2016 and valid until 2025, with the scope being extended to include the private bank BPE, a subsidiary, and including a partnership for collective credit risk insurance for home loans. La Banque Postale currently consolidates 20.15% of CNP Assurances.

Property and Casualty Insurance: La Banque Postale Assurances IARD

By joining forces with Groupama in 2009, La Banque Postale created its subsidiary, La Banque Postale Assurances IARD, in which it has a 65% shareholding.

Health Insurance: La Banque Postale Assurance Santé

In 2010, La Banque Postale forged a partnership with La Mutuelle Générale and created a subsidiary, La Banque Postale Assurance Santé, in which La Banque Postale had a 65% stake at the outset. The launch in 2015 of a new complementary health offer suited to the needs of VSEs and SMEs resulted in the acquisition of a stake by Malakoff Médéric, leaving La Banque Postale with a 51% stake in La Banque Postale Assurance Santé’s share capital, alongside Malakoff Médéric and La Mutuelle Générale, with 14% and 35% respectively. Developing this partnership in the insurance area with Malakoff Médéric is part of a larger partnership that also encompasses asset management.

5.4.2.3 Asset management

This activity brings together companies managing assets on behalf of third parties which provide their expertise to enable La Banque Postale to offer its private individual, legal entity and institutional customers with a comprehensive range of savings and investment products covering traditional financial markets as well as more diversifying asset classes. The third-party asset management subsidiaries have 275 employees who work in macroeconomic and financial management and analysis, in product creation and

financial engineering, and in customer relations with the Group's various internal and external customer categories.

In 2018, the Asset Management business recorded the following key figures:

- €153 million in net banking income;
- €218 billion in assets under management.

The highlights of 2018 for the asset management business were as follows:

- commitment of La Banque Postale Asset Management (LBPAM) to become the leading 100% SRI generalist manager by 2020. The launch of the new "Conviction ISR" range in June is the first practical realisation of this commitment;
- La Banque Postale and its subsidiary La Banque Postale Asset Management (LBPAM) signed the "Tobacco-Free Finance Pledge", the first international treaty concerning public health aimed at reducing the impact of tobacco on the global economy;
- merger of LBPAM and Tocqueville Finance, a subsidiary specialising in "Value" equity management referred to as "with conviction", by La Banque Postale to better satisfy the requirements of its institutional customers.

Multi-expertise investments

La Banque Postale Asset Management is the UCITS and institutional mandate management specialist within La Banque Postale's asset management division. It operates in almost all financial markets. The research and analysis synergies developed between La Banque Postale Asset Management and its partner Aegon Asset Management enable it to provide investment solutions in a large number of international asset classes differing in terms of rates and shares.

LBPAM is also developing its expertise and strong position in the SRI (socially responsible investment) management field. It undertakes to become the leading 100% SRI generalist manager by 2020. It deploys its non-financial analytical methodology GREaT (Governance, Resources, Energy and Economical Transition and Territories), which applies to the equity mandates managed as paper securities by CNP Assurances. In order to make its commitment concrete, it launched its "Conviction ISR" range in June 2018.

In 2018, this business activity stood out through the following figures:

- €216 billion of outstanding amounts managed;
- €260 million of collection on the "Conviction ISR" range over six months.

"Value" equity management

La Banque Postale also offers its customers UCITS from Tocqueville Finance, a 97.7%-held subsidiary of LBPAM. This subsidiary is especially well-established with financial investment advisers, independent asset management advisers and private and institutional banks.

Specialised in "Value" equity management (undervalued shares) and "Small and Mid-Caps", it invests with the objective of supporting the development of businesses over the long term by applying a conviction-driven management approach, independent from market indexes.

Tocqueville Finance is a regular supplier of BPE, the private bank of La Banque Postale through discretionary management. Tocqueville Finance also manages discretionary mandates for customers outside La Banque Postale, in equity savings plans and within insurance policies.

Tocqueville Finance's outstandings (excluding LBPAM management delegation) amounted to €1.7 billion in 2018.

Management of open-ended property funds and real estate investment trusts

La Banque Postale holds a 40% stake in AEW Europe, following the merger with Ciloger in 2016.

Retail customers continue to subscribe to REITs as part of the diversification of their investments in securities accounts, but also in life insurance; non-listed REITs are available in unit-linked accounts.

In 2018, AEW Europe's outstandings amounted to €30.7 billion, i.e. growth of 10.7% compared to 2017.

Asset management partnerships

La Banque Postale's asset management products and services are offered notably by La Banque Postale Asset Management (LBPAM), and its two capital and industrial partnership agreements.

LBPAM: With Aegon Asset Management

Through a capital and industrial partnership agreement signed in 2015, LBPAM enlarged its scope of competence and reinforced its institutional expertise and positioning. This agreement allowed Aegon AM to acquire a 25% minority stake in LBPAM's share capital.

LBPAM: With Malakoff Médéric

As a result, LBPAM has been able to develop its activity with mutual funds and expand its product range, with regard to SRI in particular. This transaction took the form of a contribution to LBPAM of 100% of the capital and voting rights of Fédérus Asset Management and the acquisition by Malakoff Médéric of a 5% stake in LBPAM.

AEW Europe

In November 2016, La Banque Postale and Natixis finalised the merger of their respective real estate asset management companies, Ciloger and AEW Europe. The new grouping has spawned a European leader in the management of real estate assets in Europe, with over €30.7 billion in assets under management at the end of 2018. AEW Europe's share capital is now 60%-owned by Natixis Global Asset Management and 40% by La Banque Postale.

5.4.3 STRATEGY AND OUTLOOK

Since its creation in 2006, La Banque Postale has gradually built up expertise in retail banking, in insurance and in asset management to become a fully-functional bank that offers everyone a comprehensive range that meets economic and societal challenges.

Unique due to its history and values, La Banque Postale is now building the bank of tomorrow by capitalising on its fundamentals, to serve the real economy. With its "Osons créer La Banque de demain" (Daring to create tomorrow's bank) 2014-2020 development plan, which comes within the scope of Le Groupe La Poste's "La Poste 2020: Conquérir l'avenir" (La Poste 2020: Conquering the future) strategic plan, La Banque Postale has geared itself up to undertake its transformation, speed up its development and increase its operational efficiency in order to provide its customers with an enhanced service.

This dynamic exists in a fast-moving environment driven by a combination of several factors:

- an economic and financial context marked by historically low interest rates;
- consumer behaviours and lifestyles changed by the use of new technologies;
- a regulatory context that obliges banks to be more rigorous (from a prudential viewpoint or in the way they manage their customers' personal data) and more open (second Payment Services directive);
- a domestic banking competition landscape heavily focused on the mature universal retail banking and insurance market;
- the emergence of new players on the periphery of the banking industry offering innovative and attractive solutions to the customers of the historic players in the domestic banking landscape.

Faced with all of these challenges, a plan to create a major public financial unit serving territories was announced in August 2018. This project would be made possible through a strategic equity alliance between La Banque Postale and CNP Assurances.

5.4.3.1 The goals of the development plan

La Banque Postale's development plan prioritises commercial development for all customers, private individuals as well as legal entities, while strengthening and growing the Asset Management and Insurance divisions, which supports its diversification strategy.

Accelerating commercial development in the private individual market

Major focus areas in the private individual market are:

- winning over and retaining young customers. The commercial terms of the offerings, how the products and services respond to needs and high quality customer relations are key to attracting young customers and cementing their loyalty. Product and service offerings and dedicated sales management are being created for this demographic;
- building life solutions for older customers. Societal challenges relating to the ageing population and long-term care have led La Banque Postale to offer new solutions (dependency insurance, for example) and support its older customers while taking each of their financial positions into consideration;
- speeding up the development of private banking by relying on stronger commercial relations, a comprehensive offering and an adapted structure. The creation of a wealth management division within the Bank and the merger of La Banque Postale Gestion Privée and BPE at the end of 2015 illustrate the Group's desire to step up development in the high net-worth segment, particularly in terms of asset and tax engineering, and a personalised management approach. The high net-worth offering is expanding thanks to support from La Banque Postale's entities specialised in asset management and insurance;
- offering adapted solutions to vulnerable customers and ensuring long-term funding for the general interest banking accessibility mission. La Banque Postale is continuing its commitment to promote banking solutions for vulnerable customers via Livret A savings accounts, in particular, as well as through banking and budgeting assistance and through budgetary and financial education support by way of workshops within partner organisations.

La Poste Network's banking priority was finalised by implementing unique sales teams between La Banque Postale and La Poste Network. The gradual and supervised expansion of Network employees' responsibilities enabled them to fully dedicate themselves to developing banking activities with individual customers and to making high-quality and quick commercial decisions closer to customers.

Continuing to build a bank for businesses and regions

Tradesmen, large corporations, retailers, associations, mutual companies, hospitals, social housing bodies, local authorities, etc. all contribute in their own way to the life and prosperity of regions by prioritising proximity to their customers, their members and citizens.

Thanks to its regional network, La Banque Postale supports all of these players and helps them manage the banking aspect of their business. It intends to increase its know-how for participants in the real and solidarity economy by relying on its banking expertise combined with its knowledge of local challenges and its public service values. In order to offer products and services that are adapted to each customer's needs, La Banque Postale relies in particular on the Corporate and Regional Development Department (DEDT), whose commercial structure enables it to be as close to customers as possible.

The focus areas mainly concern:

- winning market share in the professional customer market: La Banque Postale is rolling out the "Banque des Pros" (Bank for Pros) programme, which aims to provide the best solutions for customers in the professional market (tradespeople, micro-businesses, retailers, etc.). If La Banque Postale positions itself as a "challenger" within this market dominated by leading banking groups, it can capitalise on long-standing local relationships that it maintains with the professional customer market, often personal customers. La Banque Postale intends to count on synergies between its sales teams by implementing its "Double Relation" (Dual Relationship) offering, to make itself more attractive and gain new professional customers. The gradual ramp-up of this programme will depend on building and rolling out a specialised sales force in post offices throughout France by training 1,000 Pro advisers by 2020;
- the consolidation of positions in the local public sector market: in 2018, after six years working alongside territories (regions, departments, community groups, municipalities, etc.), La Banque Postale is, and intends to continue to be, the reference bank of the local public sector and the biggest lender in this market;
- the development of large corporate and institutional customers: La Banque Postale is gradually consolidating its acknowledged position among companies in cash management, and offers a wide range of banking products and services for flow management, asset management, capital market products and financing.

This position has progressed with the creation, in 2018, of a Financing and Investment Bank division supporting efforts to achieve the goals of profitable growth of the commercial bank with an offering of market and financing products and services satisfying customer expectations and corresponding to the values of La Banque Postale. It builds bank-company relationships that are founded on partnership and on working together to build solutions while making a specialised team available that is responsible for special Key Accounts and that is fully dedicated to developing adapted offerings in line with La Banque Postale and its subsidiaries' business lines.

5.4.3.2 Development plan levers

The development plan relies on a solid balance sheet, a strong capital base and a plan to progressively integrate an internal risk assessment method at La Banque Postale: based on better knowledge of customers and risks, this integration will enable the Bank to map and control risks associated with its business more efficiently by integrating product pricing, loan approvals and recovery, and capital management processes into the Bank's various operational management processes.

The development plan is also based on major transformation plans to help meet the Bank's sales goals. Such as:

- the Cap Client 3.0 programme, which aims to offer more ergonomic and smarter workstations to enable advisers to use smoother banking applications and processes to better prepare for their appointments, refine their sales pitches, make good recommendations at the right time for their customers as well as improve sales efficiency at all levels of bank relations;
- the Excello programme, which is organising the gradual transformation of financial centre operations (remote front-office, Bank middle- and back-office) to increase their efficiency (professionalisation, development and specialisation of teams; streamlining processes, changing tools to increase agility, efficiency and productivity);
- the Concerto programme, which is also a major transformation project that falls under the Bank's information system (IS) renovation. It consists of designing an information system that can meet all of the Bank's needs in terms of processing speed, flexibility and security. In particular, it involves redoing the bank transaction production and processing workflow.

The development plan also involves identifying future jobs and training La Banque Postale and La Poste Network employees on these new jobs. This cross-entity project led to the creation of the "École de La Banque et du Réseau - EBR" (Banking and Network School) in 2014 which fosters the Group's strategic transformation by supporting the professional development of the 67,000 employees of La Banque Postale, Financial Services, and La Poste Network.

This innovative and large-scale training programme is aimed at giving its employees the possibility of embracing the banking roles and skills for tomorrow in order to offer customers an enhanced service. Open to all, the school aims to serve everyone. It backs up the Company's future vision, and innovates through new practices and new training content.

In 2018, EBR held nearly 285,000 training days for La Banque Postale, Financial Services and La Poste Network employees, and rolling out major courses aimed at the entire priority banking network managerial line and serving the widespread transfer of home loans to banking advisers and managers. In addition and in parallel, training for Area managers, 780 of whom were trained in 2016, was completed in the spring of 2017.

In order to ensure that its ambitious development plan is a success, the Bank is using all of the levers it has at its disposal:

- quality of service, *via* high-quality customer experiences and efficient omnichannel customer management, a lever for customer satisfaction and retention;
- improving the efficiency of the Bank – La Poste Network, by developing the Network's banking culture as well as optimising tools, processes and structures;
- innovation, by creating a dedicated ecosystem driven by Platform58, the Bank's incubator, which went live at the beginning of 2019 and with the support of KissKissBankBank & Co, the crowdfunding specialist bought in 2017 by La Banque Postale;
- the development of La Banque Postale's non-life bancassurance division through improved mastery of its business model in the context of digital disruption and the upheaval of the competitive landscape (GAFAM, AssurTech, etc.);
- improving financial centre efficiency, by creating an agile and high-performing model based on an innovative social model;
- streamlining headquarters and support functions and optimising cross-entity processes with other Group entities.

Through these various initiatives, La Banque Postale is proving and will continue to prove, by offering its customers a range of products and services based on simplicity, accessibility and transparent fair prices, that it favours development that can adapt to changes in user practices and be entirely dedicated to customer satisfaction.

5.4.3.3 Strategic equity alliance project between La Banque Postale and CNP Assurances

On 30 August 2018, within the framework of the PACTE law, the French Ministry of the Economy and Finance announced its intention to create a large public financial unit serving territories, involving Caisse des Dépôts (CDC) and La Poste.

This project, of a general interest nature, is consistent with the fundamental mission of La Banque Postale to ensure banking accessibility, as it aims to reinforce regional cohesion and fight against regional divides by enabling the whole population of France to gain access to high-quality innovative financial services.

This project comes within the scope of the transformation plan of La Banque Postale and contributes to its efforts to achieve its strategic objectives: building a major banking and insurance group which is both comprehensive and diversified. Harnessing the expertise of its partners, La Banque Postale would offer a range of simpler, more accessible and more transparent banking and insurance products.

This project would be implemented by means of a contribution by CDC and the French State to La Poste of their stakes in the capital of CNP Assurances, with La Poste subsequently contributing the stakes to La Banque Postale.

This transaction will be the subject of an information and consultation procedure concerning the competent staff representation bodies. Its implementation is dependent on the French Parliament adopting the PACTE law and on the necessary authorisations being obtained from the French, European and foreign independent administrative authorities.

5.4.3.4 The digital transformation of La Banque Postale

In the last few years the banking landscape has been metamorphosed by the arrival on the market of new players capable of creating novel types of consumption of financial and insurance services. They provide their customers with entirely digital services that are user-friendly and intuitive.

Thanks to technological advances in the field of data processing and driven by regulations favouring their emergence, these players have forced traditional banking and insurance companies to speed up their digital transformation. It is no longer simply a matter of transposing existing processes to the digital channel but instead inventing a new way of satisfying ever-changing customer needs.

La Banque Postale has embraced this transformation very rapidly. The development of digital banking represented one of the levers of the 2014-2020 development plan. Significant inroads had already been made to digitise the bank's processes to enable it to tailor its tools to customers' new uses. In 2018, the overall situation concerning the digital transformation is as follows:

- La Banque Postale is present on all digital channels: on computers through the labanquepostale.fr site, on tablets and smartphones through the LBP application downloadable on iOS and Android platforms. As a result, La Banque Postale is enabling its customers to enjoy permanent accessibility to their accounts with enhanced quality of information and reduced processing times;
- sales forces are equipped with efficient tools facilitating the process of advising customers and tracking their situations;
- faithful to its vocation as a community-focused bank, La Banque Postale adapts this vision to benefit the greatest number of people possible through several action levers such as banking inclusion through digital services and accessibility for disabled customers (first banking application completely accessible to online banking customers with impaired vision, and dedicated space for deaf and hearing-impaired individuals).

In order to meet the challenges of the future, a series of important markers have already been put down:

- acquisitions of FinTech companies which enhance its range of cutting-edge services, meeting the genuine need of customers and sharing the value-based commitments of La Banque Postale: KissKissBankBank & Co in 2017, Goodeed in 2018;
- partnerships with full digital players which enable La Banque Postale to bolster its offering: e.g. Plussimple.fr in the field of business insurance;
- the launch of Ma French Bank in 2019, a novel model of a 100% digital bank: it provides everybody with the possibility of opening an account, without any financial means conditions, easily accessible on mobiles as well as in post offices thanks to customer service managers being equipped with Smarteo (La Poste Network smartphone tool). Ma French Bank will offer useful and innovative services, especially for 18-35-year-olds, who are constantly connected to their friends and family. It will allow users to manage their account and make all their transactions in

real time, with many features: current accounts, revolving credit facilities or crowdfunding with KissKissBankBank;

- the opening in January 2019 of Platform58, the incubator of La Banque Postale. This system will be the location of a special relationship between the players of the FinTech and InsurTech ecosystem and the employees of the Bank in a mutually enriching process.

For La Banque Postale this transformation represents an important people-centred challenge for which it is preparing by:

- training its employees to be ready to embrace these new technologies in their daily work;
- adapting its human resources policy to take into account the changing face of banking and insurance business lines and to identify the talents it will need in coming years.

The bricks of this programme represent significant people-centred, technological and financial investments which La Banque Postale is making with a view to providing its customers with a service of the best level of quality possible.

5.5 La Poste Network

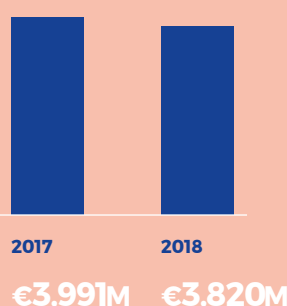
5.5.1 LA POSTE NETWORK IS MAKING LIFE SIMPLER FOR ITS CUSTOMERS

La Poste Network is the Group's multi-business distribution network with focus on banking for "Retail" and "Professional" customers. Its founding mission is to welcome, serve and advise individual and professional customers of La Poste and of its business units.

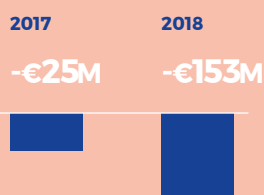
The digital revolution has profoundly changed consumption patterns. Customers are increasingly looking for more comfort and simplicity, for example by being able to carry out some operations on their own, such as buying stamps using automated postal machines, making banking transactions from their smartphones or ordering products over the Internet. At the same time, they want a customer adviser or customer service manager to be available to recommend solutions, inform them about different options, and help guide them in their projects. For customers, simplicity of service, accessibility of advisers and long-term relational proximity are key. Through the variety of its formats, the strength of its commercial organisations and the modernisation of its commercial spaces, La Poste Network provides a comprehensive response to its customers' expectations.

2018 KEY FIGURES

REVENUE



OPERATING PROFIT/(LOSS)*



NUMBER OF RETAIL OUTLETS



FOOTFALL IN POST OFFICES



* Operating profit/(loss) after share of net profit/(loss) of jointly controlled entities.

2018 key highlights

- Renovation and innovations in offices: rollout of trailblazing offices (innovative automated postal machines, tablet bars, special offers for young people and travellers, etc.).
- Broadening of skills in banking: 285,000 training days in the École de la Banque et du Réseau in 2018.
- Signature of an agreement concerning the societal priority post offices, in favour of a policy to prevent incivilities.
- Successful launch of the ADSL box under the La Poste Mobile brand.

(1) Excluding 26 special status retail outlets.

5.5.1.1 La Poste Network is expanding its proximity offers

With more than 17,000 La Poste retail outlets, La Poste Network is central to a relationship that is becoming increasingly multi-channel: telephone, Internet, automated postal machines, mobile applications, etc. Several formats are available to satisfy the specific needs of customers and their lifestyles, which often vary depending on where they live:

- the post offices⁽¹⁾ (47.3% of La Poste retail outlets), which includes traditional post offices and public service areas;
- the partnerships (52.7% of La Poste retail outlets), which take on various forms: "La Poste Relais" outlets (urban outlets, rural outlets, social and solidarity-based economy outlets) and "La Poste Local Postal Agencies" (municipal and intermunicipal local postal agencies);
- co-working spaces.

This approach is being carried out in cooperation with elected representatives in national and departmental governance bodies set up through a local postal coverage agreement signed between La Poste, the French State and the French Mayors' Association. The fourth agreement, currently in force and pertaining to the 2017-2019 period, was signed on 11 January 2017.

Post offices

The 8,145⁽²⁾ post offices are a showcase of Le Groupe La Poste's integrated services as well as a place where individual and professional customers come for support and advice. Marketing all of the Group's products and services, they offer the broadest range of products and serve as support points for the development of new services. They accordingly offer:

- banking services: standard counter transactions, personalised banking advice, property and casualty insurance products, consumer loans, home loans, etc.;
- mail services: purchase of pre-paid envelopes, delivery of the "Lettre Verte" (green mail), postage, mail pick-up, mail forwarding, etc.;
- parcels and express services: sale, drop-off and pick-up, etc.;
- mobile telephone services.

To increase customer satisfaction and improve commercial performance, the Network continuously invests in renovating and upgrading its post offices to make them more modern and welcoming for customers.

Modernised post offices

The renovation of the post offices, which come in three different formats (Expert, Advice or Service), continued at a rapid pace in

2018. For example, 128 Expert post offices were renovated in 2018. Customers greatly appreciate this type of post office, where they receive support from a customer service manager and are served in accordance with their needs from the moment they step through the doors. Following a renovation into an Expert post office, the percentage of very satisfied customers rose from 27% to 37%. 262 Advice and Service post offices were also modernised during the same period, i.e. a total of 390 post offices.

Innovative post offices and targeted offers: Travellers, Tourists and Youth

La Poste has decided to create showcase post offices offering products and services that complement the traditional offer and are adapted to very specific customer groups. In 2018, for instance, La Poste opened two innovative post offices adapted to the needs of travellers in the Roissy Charles-de-Gaulle and Orly airports in Paris. Traditional services are still available (sales of stamps, pre-paid envelopes, sending of packages, La Poste Mobile offer, etc.), but many new options have been added, including the purchase of telephone accessories, and the rental of smartphones or WiFi routers. In 2018, the Network also opened offices marketing products and services geared towards tourists in Lyon Bellecour (innovative automated postal machines, personalised postcards) and young people in Rennes Sainte-Anne and Nancy Blandan (written driving licence test, photocopying, banking offers targeted at students).

Public service areas

With the aim of making people's lives easier, in 2015 La Poste began opening its post office network to operators and local authorities hoping to pool access to their services (sharing of material and human resources) within public service areas. 503 public service areas of this kind were opened by the end of 2018.

Postmen-counter clerks

Committed to postal coverage in rural areas, La Poste is introducing postmen-counter clerks: the 922 such clerks at the end of 2018 share their time between services performed by postmen (mail and parcel delivery, local services) and post office counter services, thereby handling all postal products and services. By doing so, these postmen-counter clerks are helping revitalise rural areas.

Partnerships

The Group's 9,093 La Poste retail outlets managed in partnership bring the most popular postal services closer to home by making them more accessible. Subject to the agreement of local elected representatives, these partnerships are concluded in the form of municipal and intermunicipal postal agencies known as "La Poste Local Postal Agencies" run with public partners, or in the form of "La Poste Relais" outlets run with private partners (shopkeepers).

Satisfaction levels for customers, postal employees, local elected representatives and partners are measured every two years by an

(1) Including the 26 special status La Poste retail outlets (10 retail outlets in overseas territories [Saint Barthélemy, Saint Martin and Saint Pierre and Miquelon], 14 in Andorra and Monaco, and 2 military post offices).

(2) Excluding special status La Poste retail outlets.

external barometer as part of the local postal coverage National Observatory's work.

The latest survey was carried out in 2018 and yet again demonstrated a very high level of satisfaction from customers and shopkeepers vis-à-vis this form of postal coverage, respectively 89% and 93%. The satisfaction expressed by elected representatives and La Poste staff is almost unanimous, at 97% and 99%.

La Poste local postal agency

At the end of 2018, there were 6,339 "La Poste local postal agency" retail outlets offering almost all of the services provided by post offices, including mail (postage, registered mail, mail holding, etc.) and parcels (sale of packaging materials, drop-off, collection, etc.), as well as cash withdrawals of up to €350 per week for postal cheque accounts (CCP) and Livret A savings accounts up to a limit of €350 per transaction. In exchange for a contract signed with the municipalities and the commitment of resources, they receive compensation.

The framework agreement covering local postal agencies and intercommunal postal agencies between La Poste and the French Mayors' Association sets out the legal framework under which municipalities and groups of municipalities can take on the local postal coverage public service mission.

"La Poste Relais" outlet

At the end of 2018, the Network had 2,754 "La Poste Relais" retail outlets, 1,802 of which were in rural areas and 952 in urban areas. Under this partnership, La Poste enters into an agreement with a shopkeeper, trader or association to provide postal services and basic financial services (cash withdrawals of up to €150 per week by holders of postal cheque accounts and Livret A savings accounts) in its name and on its behalf. In exchange, they receive a fixed fee and transaction commissions on business activities.

Rural "La Poste Relais" outlets

In small towns, shopkeepers and traders responsible for "La Poste Relais" retail outlets are chosen in consultation with the Mayor. They are selected according to practical criteria, which will facilitate the implementation of the project (opening hours, image, layout, location, etc.). They can be independent or tied to a distribution network, or even franchises of a brand.

Urban "La Poste Relais" outlets

These retail outlets are expanding to match urban developments and changing lifestyles, in addition to the post office network.

Social and solidarity-based economy La Poste Relais outlets

In urban and rural areas alike, La Poste Network is also turning towards players in the social and solidarity-based economy (associations or foundations), with outlets numbering 17 at the end of 2018. For example, in enterprises in the disabled and sheltered sector (ESAT), where disabled employees provide certain postal

services, such as selling stamps, sending and delivering mail and parcels, etc.

Automated lockers

La Poste has also installed Pickup Station lockers in or in front of its post offices to offer customers a self-service parcel pick-up option during extended hours (6 am-10 pm), which meets people's expectations and helps cope with the boom in e-commerce. There were 126 such lockers at the end of 2018.

Co-working spaces

La Poste is developing co-working spaces that enable it to respond to an expressed need of the population and to encourage the use of its post offices. Examples include:

- La Poste and the Île-de-France region, as part of a policy to support the creation of third places, signed an agreement in 2017 in which La Poste undertakes to create and develop 20 co-working spaces by 2020. Thirteen such spaces will be opened, with open spaces, meeting rooms and closed offices, plus seven "shared" spaces in post offices (generally in offices previously used by a financial adviser). At the end of 2018, eight shared spaces were operating;
- "Nomade, your work space by La Poste" is a co-working area made up of flexible work spaces, intended especially for start-uppers, self-employed workers and individuals engaged in associations. Two Nomade spaces were operating at the end of 2018;
- lastly, a range of co-working solutions is available in the innovative offices at Station F and in Parisian airports.

5.5.1.2 La Poste Network is adapting its organisations

More streamlined organisations

La Poste Network's mission is clear: to build an efficient and successful multi-business network with a priority on banking that is at the service of all its customers. In support of this aim, the managerial lines of the Network and La Banque Postale have been brought together, giving rise to a more efficient organisation, serving notably to develop the expertise of La Poste employees. The Network's territorial organisation has been defined by the establishment of 1,590 areas to serve its customers. This allows the Network to benefit from a proximity network on a human scale, with a well-established and strengthened commercial framework and progressively expanded accountability in the banking sector. In order to continue this dynamic and to respond to new customer expectations, the regional teams were resized in 2017. Consisting, until 2016, of 55 regional departments and 290 Territorial Departments, the organisations are now more focused and more homogeneous, with 38 regional departments and 202 Territorial Departments, which aim to work collectively to promote

growth and development. The support functions have also been reorganised to serve La Poste employees, by helping them improve customer care.

A multi-business Network with a priority on banking

In 2018, La Poste Network completed 1,065 million transactions at its counters and automated postal machines, *i.e.*:

- 17.03% of Mail revenue, 21.79% of Parcels revenue, 4.59% of Chronopost's revenue and 84.72% of La Poste Mobile's sales;
- 633 million banking transactions (including 85 million transactions carried out with cards from other bank networks) and 5.025 million banking advice appointments completed by banking advisers located in the Network, representing 58.6% of consumer loans, 100% of home loans⁽¹⁾ and 100% of net deposits from individual customers.

La Poste Network's decision to give priority to banking services was justified by the strong potential for sales growth that La Banque Postale brings to Le Groupe La Poste. This involves bringing together the Network, La Banque Postale and the financial centres, increasing the banking expertise of all La Poste employees in the Network, customising advice for professional and high net-worth customers, and a strengthened risk management system. La Poste Network is gradually bringing the authority to make banking decisions closer to customers.

A more efficient commercial organisation

La Poste Network has nearly 48,800 employees, including 26,100 customer service representatives and almost 9,100 employees within the sales team. The Network is working closely with other business units to better respond to the needs of different customer categories.

In order to support this priority given to banking, the area managers now have the authority to grant simple consumer loans and home loans, which will speed up the decision-making process for customers. The general sales force has also been trained to prepare simple home loan dossiers for customers. The customer service managers, who are the first to engage with customers, have been given greater authority in the banking domain, on the basis of four key activities:

- monitoring the customers' banking relationships with La Banque Postale;
- improving the quality of customer data;
- supporting the entry into relation with a new prospect;
- promoting multiple channels and online banking.

They have received special training and the "Insurance" accreditation.

The Network and the Services-Mail-Parcels business unit work together to serve professional customers better. These customers make up a sales conquest priority goal in Le Groupe La Poste's strategic plan, broken down across all its business units. One aim is to make professionals' lives easier and help them save time, thanks to the multi-business unit layout of post offices.

High net-worth customers make up another priority target. Three initiatives have been put into place to respond to the needs of these customers: a complete offering, thanks to La Banque Postale's subsidiaries, a locally-based sales force, thanks to specialised advisers in wealth management in the post offices, and finally BPE, the private bank of La Banque Postale, which provides solutions to customers with the most assets. Forty-five new BPE areas were opened in post offices in 2018.

New business lines

New business lines have been rolled out to support business development, notably those responsible for developing market areas and partnerships. Their purpose is to ensure the development of the Services-Mail-Parcels offers for the private individual and professional markets as part of an omni-channel approach: post offices, partnerships, mail facilities, digital services and remote sales. 217 business customer advisers have been recruited. They are experts in the Services-Mail-Parcels offers.

With its "Banque des Pros" programme, La Banque Postale is seeking to tap a new source of growth within post offices, with the goal of establishing dedicated areas with 1,000 customer managers specialised in the professional customer market by 2020. Nearly 414 such advisers were already in place at the end of 2018.

Also by 2020, 1,000 advisers for high net-worth customers will be specifically deployed throughout the country. 941 such advisers were already in place at the end of 2018.

An ambitious training programme

Since 2015, with the creation of a common training school for the teams of La Poste Network, Financial Services and La Banque Postale, a very ambitious training programme has been put into place to ensure the development of the expertise of all employees. With more than 285,000 training days in 2018, or 5.5 days per employee, the École de la banque et du réseau provides employees with the skills and qualifications of tomorrow, taking into account their career paths and their personal aspirations: it is a school for each and every employee. Its training offer is continually enriched to support the Group's strategic projects and meet the challenges of the business units. In 2018, over 80% of Network and Financial Services employees participated in a training.

At the same time, a dynamic training policy has made it possible for employees to receive a banking diploma. Since 2015, over 1,200 employees have taken part in a BP, ITB or CESB⁽²⁾ training programme in partnership with the CFPB (l'École supérieure de La Banque).

(1) Excluding social housing loans.

(2) Professional certificate; Institut de Technique de Banque; Centre of Higher Banking Studies.

Innovation is at the heart of L'école de La Banque et du Réseau (the Banking and Network School). It offers employees training programmes in classrooms enriched with digital equipment and modular furniture to facilitate interactions and learning, as well as educational, fun and collaborative distance training programmes such as virtual classes.

A constructive social dialogue

All changes within La Poste Network take place within the framework of a constructive social dialogue with trade unions, leading to employee agreements that guarantee the conditions of quality of life at work, by focusing on work relations, working conditions and employee career paths. Two agreements were signed in 2018. The first deals with socially focused offices (SFO), which serve a significant number of customers in vulnerable socioeconomic situations. This agreement has given rise to special solutions (remuneration, professional development, mobility) to make up for the harsher conditions in terms of customer contact and working environment stemming from the need for support and the recurrence of social banking transactions specific to this type of office. An employee DAST agreement (territorial support and backing management) has also been signed to accompany the people working in these entities (mobility, modification of career paths). The number of DASTs has been reduced to ten (two per executive department). In addition to these agreements, specific measures have been adopted to support employees in post offices subject to high levels of incivility and to strengthen the means at their disposal.

5.5.1.3 La Poste Network is redesigning its spaces and its offers

To meet the expectations of its customers, whose habits are changing in an increasingly digitised world, the Network has launched a large-scale transformation. By making digital technology a central feature of sales outlets, the Network's objective is to become a major connected distribution network and to update the customer relationship.

Retails outlets transformed by digital technology

Digital technology is vital for improving the customer experience and making the Network more attractive.

Customer service representatives now meet customers' requests in the middle of the sales area via smartphones that can carry out most counter functions (such as purchasing a product, picking up or dropping off an item, providing advice, etc.). 59% of the customers are welcomed and assisted by a customer service manager equipped with a Smarteo, allowing him or her to save time and help the customer more quickly. In addition, to facilitate postal operations, shopkeepers are equipped with smartphones (of the Smarteo variety) in 2,451 La Poste Relais outlets, with almost 1,028 connected printers.

La Poste is helping to reduce the digital divide, especially in rural areas, by making connected equipment available, guaranteeing proper reception and local human support and helping to maintain public services in the most vulnerable areas. In 4,567 La Poste local or intercommunal postal agencies, access to the online services of the Group and public services (the French employment office, family allowances, health insurance) is made easier by making self-service tablets and smartphones available for use. La Poste also offers free Internet access to its customers inside post offices (two hours with a laposte.fr account), which makes access to digital services easier and simpler for everyone. 747 post offices, including 500 public service areas, had been equipped by the end of 2018.

Customer information and promotion at the sales site have also been modernised using a digital communication system rolled out in 1,587 post offices, including in the French overseas departments, since September 2017.

Lastly, La Poste Network is renewing its fleet of automated postal machines (1,310 renewed in 2018), with in particular the installation of new postage machines with touch screens that are faster and more powerful, or the integration of new functions such as contactless payment.

With their laposte.fr account, the customer is identified and recognised each time they come into contact with La Poste (in post offices, by telephone, on laposte.fr, or through the La Poste Mobile app). They have a clear vision of their consumptions, their pending shipments, and all their interactions with La Poste (excluding banking data). This same overview is shared with different interlocutors who are in contact with the customer, allowing a fluid, omnichannel and personalised relationship.

La Poste fully echoes its high-priority project to help modernise public action – an integral part of its “La Poste 2020: Conquering the future” strategic plan.

Increased accessibility

La Poste Network has incorporated its corporate social responsibility (accessibility, eco-designed materials, lowering the energy consumption of lighting and IT equipment, and providing access and advice to everyone) into its initiative to redesign the post office network.

In terms of post office accessibility for disabled people, 53% of post offices is accessible to all customers, regardless of disability (motor, visual, auditory, cognitive, psychological, etc.). La Poste Network has committed to continuing to make its post offices accessible on the inside as part of a scheduled Accessibility Agenda (Ad'AP) filed by each regional department and introducing a calendar from 2016 to 2024.

In addition, 100% of automated teller machines (ATM) located inside post offices (2,885 ATMs) as well as 100% of automated mail-parcel machines (7,448 machines) are accessible to disabled people. As of the end of 2018, 98.24% of post offices with ATMs had at least one kiosk accessible to persons with reduced mobility or are in the process of making themselves compliant with the Ad'AP system.

Making La Banque Postale's ATMs accessible for the visually-impaired is also in progress, with a 85% accessibility rate at the end of 2018. This number is constantly increasing.

The recently renovated offices are even more welcoming, with sleeker spaces, furniture, floors and lighting contributing to a more peaceful atmosphere.

Increased safety and security

Mindful of the importance of ensuring the safety and security of the people and property within its sites, La Poste Network has a comprehensive policy for safety and the prevention of incivilities, which is deployed throughout the country. Through participative, collective and behavioural approaches, La Poste empowers its managers to prevent any attacks or security breaches against their teams or customers. Preventative solutions are put at their disposal, helping ensure employee well-being by allowing them to anticipate and manage any problems that may arise in their relations with customers. This policy allows them to maintain a calm relationship with customers who may be dissatisfied. Over the years, these solutions have become an indirect tool that supports the commercial performance of the post offices, the cohesion of the local teams and daily management support.

Redesigned offices to serve all customers

La Poste sells a range of commercial offerings, including several digital services available in post offices, forging new partnerships and creating new business to attract new customers, adding more value to its locations and as such making them more sustainable:

- "Ardoiz": a tablet specifically designed for seniors, sold in all post offices. 13,521 such tablets had already been sold by the end of 2018;

- "Veillez sur mes parents" (Watch Over My Parents) home services: this offering, marketed in post offices, is fully in line with Le Groupe La Poste's objective to become the number one company in people-centred local services. It is an accident prevention and home care service for senior citizens that is based on visits from postmen, a remote assistance programme and the provision of tradespeople for small repairs;
- offers/services contributing to the modernisation of public service activities: the French written driver's licence exam (*Épreuve théorique générale* - ETG): as part of the reform initiated by the French State, La Poste has become one of the official operators approved to administer written driving license exams. The Network is one of two business units (in addition to the Services-Mail-Parcels business unit) to administer the exams on postal sites (for the most part individual exams),
- the "Le Robert certification" test (the leading French-language certification), which assesses the level in spelling and grammar of people looking for work or preparing a job interview.

Lastly, La Poste Mobile offers comprehensive and competitive telephone and Internet solutions based on the proximity of the post offices throughout France and the quality of the advice from its customer services managers.

A reinvented customer experience

La Poste Network has implemented a new customer satisfaction evaluation procedure by installing dedicated terminals in the public areas of some post offices. As part of an effort to complement existing procedures (approval ratings, targeted customer surveys, etc.), the new customer satisfaction measurement method has a twofold objective: give customers the possibility of expressing their opinions and feelings about their experience in a post office, and allow operational post office managers to manage customer satisfaction on an overall level and on certain strategic targets (banking customers and professional customers, for example). By the end of 2018, 449 terminals had been installed in renovated post offices.

5.5.2 LA POSTE MOBILE

5.5.2.1 General information

Created in 2011, La Poste Telecom is a 51/49 joint venture between Le Groupe La Poste and SFR. This Mobile Virtual Network Operator (MVNO) relies on the SFR telecom network, the post office distribution network, and the La Poste brand to market its telephone products and services under the La Poste Mobile brand.

La Poste Mobile – the brand launched by La Poste Telecom – offers a comprehensive mobile telephone services range, including plans with or without a subscription, SIM-only or with mobile phone, and pre-paid plans, as well as, since 2016, fixed-line service.

5.5.2.2 Market and product offering

The telephone services market in France⁽¹⁾

The mobile telephone services market had 61.6 million active subscribed customers in mainland France at the end of September 2018 (excluding "machine to machine" SIM cards and excluding "Internet" SIM cards), i.e. a penetration rate of 95% of the population in mainland France. The market grew by 3.9% year on year, gaining 2.32 million subscribed customers, offsetting a continuing decline in the prepaid market (1 million or 11% decline in lines year on year).

(1) Source: French Authority for regulation of the electronic communications and postal sectors (Autorité de régulation des communications électroniques et des postes – Arcep) – Electronic Communications Market Observatory for the third quarter of 2018.

With close to 7.6 million residential customers at the end of September 2018, the market share of MVNOs stabilised at 11.9% of the overall market (-0.2 point year on year).

In 2018, the mobile telephone services market continued to transform. While average monthly invoices stabilised at €14.4 per customer, more than 75.3% of retail ("residential") customers now subscribe to SIM-only plans without a contract (+1.9 points in one year) and consume more than 4.2 GB per plan. Expanding regional coverage through 4G networks and equipping more customers with smartphones is contributing to the explosion in data consumption (+75% in one year).

In the fixed-line telephone market, 28.7 million customers had access to broadband and high-speed Internet at the end of June 2018. All of the increase came from high-speed Internet subscriptions (gain of 1.7 million year on year), which now equip 42% of eligible homes (+5 points year on year). Due to competition, the monthly average amount of subscriptions declined, coming to €32.1 per subscription in June 2018, below the June 2017 level (€32.6).

Operators are implementing customer retention strategies in this competitive environment. Fixed-line/mobile combo offerings (service package that can include a fixed line and several mobile services and/or discounts for another of these services) covered 20.2 million SIM cards at 30 June 2018, i.e. more than three SIM-only plans taken out per every ten individual customers.

La Poste Mobile product offering

The La Poste Mobile MVNO is characterised by a positioning based on customer proximity through its physical network of 8,145 post offices. All of the products and services offered by La Poste Mobile are accessible to customers in all post offices as well as by telephone and online www.lapostemobile.fr.

In 2018, La Poste Mobile continued its sales growth strategy, launching a 60 GB package for less than €10 "for life" for retail customers in September. Sales of plans of more than 20 GB now account for 40% of La Poste Mobile's sales.

This new commercial strategy enabled La Poste Mobile to acquire 616,000 customers (including prepaid customers), 512,000 of which were new subscribers during the year. Net subscription sales (after terminations) totalled 148,000. The total subscription and pre-paid customer base rose by 10.3% to 1.525 million clients, of which 1.46 million subscriber clients.

In addition to the mobile telephony offer, La Poste Mobile continued to broaden its fixed telephony range by launching an ADSL offer for retail customers at the end of May 2018. The expansion of the fixed telephony range enabled La Poste Mobile to increase its fixed-line sales by 42% compared with 2017.

In total, La Poste Mobile's revenue amounted to €252 million, up 8.7% compared with 2017.

Average revenue per user (ARPU) has been stable since last year. Adjusting pricing for the entire portfolio, launching value-added products and services with abundant data (more than 20 GB) and penetrating the market with SIM-only mobile plans helped improve unit ARPU for its offerings.

Customer surveys⁽¹⁾ show that more than 99% of customers consider that La Poste Mobile's offerings are adapted to their needs, at attractive prices, over a broad range of plans and mobile telephones, and 47% of the customers surveyed would recommend La Poste Mobile to their family or friends, in particular because of the prices and the quality of their relations with the customer advisers.

Strategy and outlook

La Poste Mobile has positioned itself as a physical network operator offering an expanded range of fixed-line and mobile telephone services, high-quality local services and reactive after-sales service.

La Poste Mobile's strategy is based on growth and upmarket sales. In 2019, La Poste Mobile pursues its strategy of expanding the range of products and services offered to individual customers and professionals, distributing its physical network offerings and developing sales through the web and telephone channels.

(1) Survey conducted by MV2 for La Poste Mobile (December 2018).

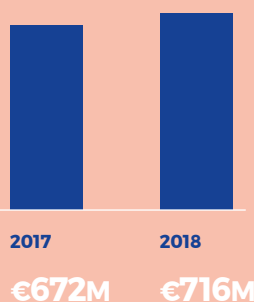
5.6 Digital Services

5.6.1 OVERVIEW AND KEY FIGURES

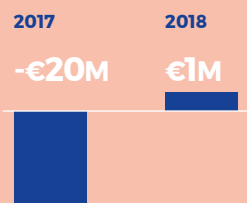
Under its “La Poste 2020: Conquering the future” strategic plan, the Group has resolutely begun its transformation, with the ambition of becoming the No. 1 proximity services company. This strategy is aligned with the major societal changes currently under way, and, more specifically, with four major trends: the rise of e-commerce, the ageing of the population, the need for third-party digital trust providers, the need for risk protection and prevention. The Digital Services business unit plays a key role in the integration of these growth levers into its business activity, thereby promoting internal transformation within the company.

2018 KEY FIGURES

REVENUE



OPERATING PROFIT/(LOSS)*



NUMBER OF LA POSTE'S UNIQUE ONLINE VISITOR⁽²⁾

14M (+3.0%)

ONLINE SALES FROM THE SITE

€200M (+10%)

NUMBER OF DIGIPOSTE+ SAFES

3M (+36.4%)

NUMBER OF EMPLOYEES

5,624⁽³⁾

* Operating profit/(loss) after share of net profit/(loss) of jointly controlled entities.

2018 key highlights

- Strengthening of expertise: acquisitions of Eukles (EDM⁽¹⁾) and Voxaly (a major e-voting actor).
- Move into e-health with two major partnerships: Arrow (leader in digital e-health platforms) and Elsan (leader of private clinics).
- Rollout of customer-centric cross-functional digital infrastructure: customer account including the Single Customer Account and Digiposte+.

5.6.2 FUNCTIONS AND ACTIVITIES

The Digital Services business unit is a “hybrid” business unit, with:

- a commercial activity that develops revenue with its subsidiaries, Docaposte and Mediapost Communication, and the online trading site laposte.fr. This activity is based on the excellence of its technological assets;
- a cross-entities activity that accompanies the Group's modernisation and digital transformation (in close connection with the other business units). Its commercial activity among

external customers and its technological assets strengthen its legitimacy to transform the Group.

The business unit aims to accelerate the transformation of the Group's business model, focused historically on companies, towards a new model centred on the expectations of end customers through innovative offers and services promoting the values of proximity, digital trust and ethical data management. At the same time, it is strengthening its support for the digital transformation of companies and local authorities by broadening its range of offers across the entire value chain.

(1) Electronic Document Management.

(2) Excluding mobile visits.

(3) Average full-time equivalents.

The Group's digital strategy, led by the Digital Services business unit, is based on the four drivers of digital growth:

- acquisition of new customers;
- diversification and multiplication of services;
- fluidity of services (quality of service);
- customer knowledge.

5.6.2.1 Being the driver of the Group's digital transformation

The Group's digital transformation is a prerequisite for creating value for its customers, and is based on the design of digital infrastructures which are at the heart of its business model, and on the development of projects to transform the customer relationship.

In order to deploy the Group's digital strategy, the Digital Services business unit has developed cross-entity digital infrastructures. They consist of standardised modules that are shared and easily assembled, facilitating the customer experience and making it possible to work across business units to increase efficiency and savings.

The major technical building blocks constructed since 2015 are:

- the Single Customer Account, to understand and get to know customers better;
- the digital hub, to orchestrate the services offered to customers;
- Digiposte, the personal assistant, which relies on a digital safe to store documents for private individuals; and
- the "Data Lake" (big data storage), to ensure the shared use of this capital.

In addition, the Digital Services business unit has developed three major projects to transform customer relations:

- customer knowledge through the "Mon Compte" (My Account) service. "Mon Compte" allows La Poste customers to log in to their personal accounts, giving them access to their profiles, contacts and all commercial offers in one central spot. As a key tool for identifying and keeping track of customers for the C (digital or physical) and Pro services market, this database captures and aggregates in one location all customer information from both the physical and digital worlds as part of an omnichannel approach.

"Mon Compte" is already being used by around 30 different services, including the e-shop, Digiposte+, written driving licence test, the digital identity service, the "Veiller sur mes parents" (Watch Over My Parents) service and the proxi services, and had more than 13 million customers at the end of 2018.

Beyond the digital tool, customers benefit from the Company's ability to refocus customer relations on their uses, and no longer on products. This is made possible by the customer file, which provides La Poste employees with an interface for the delivery of information on customers, as well as a purchase and contact history, making customer relations more personalised, interactive and easier. Services such as the renewal of the power of attorney, the resending of mail or parcels, or the procurement of a digital identity are thereby facilitated.

In addition, this data is processed using artificial intelligence technologies that enable the Group to broaden its data assets and thereby improve its internal operational excellence (better forecasting of parcel flows on platforms, detection of fraudulent credit card transactions, etc.), accelerate the differentiation of services, and invent new uses.

These data assets have been created in the respect of Le Groupe La Poste's long-standing values of trust and ethics, and have been set down in its Data Charter;

- the internal digital transformation and the changing of employees' tools and working methods. The objectives of the transformation programme are to:
 - train all La Poste employees in digital services (100,000 employees trained),
 - create a more collaborative work environment with the deployment of the Group's new collaborative platform (.COM1),
 - contribute to the adaptation of HR processes through "maboxRH" (myHRbox) for annual online assessments, management of expense reports and digitisation of pay slips,
 - create a new disruptive environment for learning, exchange and experimentation through the different internal schools ("École de La Banque et du Réseau" – Banking and Network School, "Ecole de la Distribution" – School of Distribution, "L'institut du Développement" – Institute of Development, etc.), participatory innovation thanks to different platforms or through internal calls for projects such as "20 projets pour 2020" (20 projects for 2020);
- innovation through different structures including Yellow Innovation or the French IoT programme as disruptive levers in the design of offers, resources and working methods.

Yellow Innovation, the Group's innovation laboratory, is developing breakthrough projects to anticipate new uses thanks to a strong culture of experimentation: connected bikes, connected piggy banks. The French IoT programme brings together start-ups, large companies and experts to develop the French Internet of Things (IoT) ecosystem. All these initiatives give rise to presentations at national and international events centred on technological innovation in which La Poste participates: the CES in Las Vegas, Lab Postal, Viva Tech, Angers World Electronics Forum, etc.

5.6.2.2 The www.laposte.fr e-commerce site: a showcase of the Group's digital transformation and distribution network for its products

Within the Digital Services business unit, the e-commerce Department manages the development of online sales across all of La Poste's digital channels: the laposte.fr website and its mobile app, social media and laposte.net webmail. It is responsible for the online shop and for revenue development on the digital channels. As an e-shop and e-commerce platform, laposte.fr proposes a simple and unique access point to La Poste's entire offer and information. Its transformation, which began in 2017, aims to turn the site into a multiple-use focal point for customers. This approach is illustrated by the launch in early 2019 of the comparison tool, which will allow customers to see the entirety of La Poste's mailing offer, based on the needs descriptions entered by them. In 2018, the site received on average 14 million unique visitors each month, including 4 million via the mobile channel. With revenue growth of 10% of which 58% in generated by e-services, the site www.laposte.fr totalled €199.5 million revenue in online sales.

The e-commerce Department also manages the customer experience across all digital interfaces, with the aim of simplifying the user interface and providing ongoing support. To make the customer experience more seamless, a significant number of web pages on the site were completely redesigned. Customer service has also developed innovative interactive tools (chatbot) to automate first-level support requests and allow advisers to focus on complex questions.

5.6.2.3 Digital products and services for retail customers and companies

Retail products and services

Through its Digital Services business unit, Le Groupe La Poste offers its customers a range of products and services that act as digital counterparts to the services it offers in the physical world as a universal operator of exchanges and a trusted third party in the digital world.

The Digiposte+ personal assistant offers customers the possibility of receiving, sorting and using, in a secure manner, all forms of scanned documents such as pay slips, invoices, bank statements, tax slips, etc., and of sharing them with others, thereby simplifying and facilitating the entire process (sending of supporting documentation). Digiposte+ also provides archiving functions, legally-valid certifications and proofs of date for natively digital documents, and automated processing and procedures.

The documents can be automatically transferred from the customer space to the Digiposte+ safe. In 2018, 2,500 companies sent paperless pay slips every month to 1.3 million employees, giving Digiposte+ 70% of the share of the market in France, and new partnerships are being developed (banks and health organisations). As of the end of 2018, 3 million accounts are currently open and more than 130 million documents are stored.

This offer makes La Poste a leader in the market for the digitisation of flows and e-administration (administrative documents, official documents, copies of secure documents, diplomas, etc.), and a major partner to the French State, for the modernisation of public service activities and the support of all French people in the digitisation of their administrative procedures. The use offered also allows Digiposte+ to attract new customer profiles, such as young people and high income individuals. By creating a focal point for the management of different aspects of daily life, Digiposte+ encourages frequent use of their account.

La Poste is also developing a "Espace Numérique de Santé" offer (Health Services Digital Space): this secure health platform, managed by its subsidiary Docaposte, makes it possible to store, consult and share the patient's healthcare data in a secure manner. The solution includes Digiposte+ Ma santé, thereby rounding out the Digiposte+ offer and allowing customers to receive their mutual and health insurance statements automatically, centralise their health professional contacts (doctors, health insurance, mutual companies, laboratories, etc.) and link important documents to them.

The "Espace Numérique de Santé" (Health Services Digital Space) also offers La Poste's "Esanté" application. On the basis of a digital health record, this application allows individuals to manage their health data and to collect data coming from the connected objects in their possession (thermometers, connected scales, etc.) or provided by the hospital (spirometers, tensiometers, etc.) regardless of the manufacturer. Customers can also directly access complementary health information themselves, for reasons of well-being, prevention, or for specific medical monitoring purposes. This application also allows the patient to better understand health changes, and, for those who wish, to share their data with doctors and hospitals. It is a digital link between home, patient, hospital, and local providers, both in areas enjoying good medical coverage and in medical deserts. The "La Poste eHealth" application is a very concrete response to very topical issues: outpatient care, chronic disease monitoring, home care for seniors, remote consultation or prevention.

To transpose its role of universal operator of exchanges into the digital sphere, La Poste has developed a digital identity service offer, which allows individuals to connect with 400 different organisations via France Connect⁽¹⁾. In this market, three levels of security are possible: low (single-factor authentication), medium (verified identity and two-factor authentication) and high (equivalent to a National Identity Card). The first level is the most common (ex: AMELI account) and the highest level of security will only be used in very specific cases. This is why La Poste is aiming at medium-level security, which will make it possible to digitise a large number of operations requiring an identity check. This evolution involves delivery and authentication processes that combine face-to-face physical checks with two-factor authentication. The offer is being certified by the French National Agency for the Security of Information Systems. It will allow La Poste to significantly improve its current offerings and facilitate a wider range of online and administrative procedures.

Thanks to the natural advantage of its network, La Poste enjoys a high level of legitimacy and a natural advantage to massively deploy digital identity services. To date, 210,000 digital identities have been created and the future development of different uses (commercialisation of 100% electronic registered mail [LRTE], electronic signatures or secure exchanges of documents via

(1) FranceConnect is a service that guarantees the identity of a user by relying on existing certified accounts.

Digiposte) offers significant growth potential. This service will enable La Poste to position itself as a leader in a market that is poised for strong growth: e-health, Know Your Customer or KYC (banks or other telecommunication operators, FDJ), and as a major partner to the French State in the modernisation of public services.

Offers for companies: Docaposte, the specialist in secure and digitised solutions

On 1 January 2019, Docapost changed its name to Docaposte in order to affirm and make more explicit its membership in Le Groupe La Poste.

With its digital assets (technologies, infrastructures and expertise), Docaposte aims to become an important player in the market for platforms managing digital and physical BtoB and BtoC services.

Docaposte is developing and using a range of models to ensure the reliability and security of digital exchanges and data for companies and governments (digitisation, regulated information exchanges). It offers:

- digitisation and security solutions for flows and exchanges (e-contracting, e-debiting, e-transfers, etc.) or processes (claim management, subscription management, etc.);
- secure information exchange platforms for specialised business activities (www.infogreffe.com, www.jedeclare.com), or special events (online voting or electronic contracts). Docaposte made a strategic acquisition in July 2018 with its purchase of Voxaly, helping it consolidate its leadership position in electronic voting services in France;
- electronic certification offerings, which verify a person's identity during a digital process (when signing a response to a call for bids, for example).

In particular, Docaposte chose to invest in four markets currently experiencing or about to experience strong accelerations related to the digitisation of their flows and organisations: health, public services, banking/insurance and the mass market (SMEs, micro-businesses and pros).

Among the main areas of focus are:

- the finalisation of an integrated KYC offer;
- the further development of offers with La Banque Postale;
- the creation and deployment of partnerships in the field of e-Health, in particular the agreement signed with ELSAN, the leading group in private hospitalisation services with 123 health establishments (2 million patients/year) and the Institut Raphaël;
- the development of synergies between Maileva and Eukles (Eukles, a specialist in electronic document management solutions, was acquired by Docaposte to strengthen its expertise and consolidate its mass-market positioning).

In the healthcare market, Docaposte is supporting La Poste's e-Health offer, via its "Espace Numérique de Santé" (Health Services Digital Space), providing a unique platform with three distinct offers, the first two of which are aimed at individual customers and which are presented in the previous section:

- Digiposte+ Ma santé;
- the "La Poste eSanté" application;
- applications for hospitals: developed by Docaposte, they are interconnected to the "Espace Numérique de Santé" (Health Services Digital Space). This makes it possible to develop pre- and post-hospitalisation services at home: for example, monitoring patients in outpatient surgery or suffering from chronic diseases. It also meets the needs of French people who, in eight out of ten cases, wish to be able to return home as soon as possible after an operation and receive post-operative care at home.

Finally, access to this digital health record will be implemented using La Poste's digital identity service, which is already compatible with France Connect.

This platform is an essential part of La Poste's third party digital trust solution: health data is processed in a "digital safe" on behalf of the citizen-patient-insured person, who is the only person authorised to determine who can access his or her data. All health data is hosted and processed in accordance with the French HADS (Approved Hosting of Health Data) regulations. In addition, La Poste's eHealth application was awarded the mHealthQuality label in December 2017, the first European quality assurance label for mobile health applications issued by the French company DMD Santé.

In the public sector, Docaposte is contributing to the digital transformation of the French State and its operators (for example, written driving licence test) and the digitisation of public policies of local authorities with its subsidiaries Localeo (publisher of software for Citizen Relationship Management), Applicam (e-administration and private electronic payments), Fast (specialist in digitisation processes for public authorities).

In 2018, Docaposte generated revenues of €501 million (€490 million in 2017).

The share of digital revenue has passed from 47% to 52%.

Offers for companies: Mediapost Communication, the Data specialist

On 1 January 2019, part of Mediapost Communication's activities was repositioned within the Services-Mail-Parcels business unit in its Business Media division. The management, hosting and data science activities remain within the Digital Services business unit, which will allow it to broaden its audience and its customer knowledge by focusing on building its data assets.

5.6.3 STRATEGY AND OUTLOOK

Thanks to its assets and achievements, the Digital Services business unit aims to expand its activities to become the preferred digital support provider in France and the leader in the transformation of private and public ecosystems. This strategy focuses on three long-term objectives:

- industrialising digital infrastructures;
- anchoring a completely renewed customer relationship in each business unit;
- creating new offers that combine the physical and digital worlds.

Its medium-term projects are:

- the transformation of the laposte.fr model, in order to offer a multi-channel user experience, to become the market reference for the sending of various items, to market all of La Poste's services, and to open up to partners through an online marketplace. These objectives are driven by two strong commitments: accelerating the use of the mobile channel and meeting the highest market standards. Laposte.fr's goal is to become the essential building block for all omnichannel offers (sending to mailboxes, click and drop services, etc.), thanks to a fluid and easy-to-use service to attract new customers and increase repeated connections;
- the installation of the "Espace Numérique de Santé" (Health Services Digital Space) as the first BtoBtoC health platform in France. Through Docaposte, La Poste has become a major player in the ecosystem for innovative services, alongside startups and healthcare providers (hospitals, mutual companies, laboratories, etc.);
- the deployment of a digital identity service to all French people in order to support:
 - the digital transformation of the French State and local authorities, the reduction of the digital divide, and local and regional development,

- the development of KYC activities for banks in the context of the strengthening of transaction security,
- the development of security solutions for private uses: transactions between private individuals;

- the integration of Digiposte+ into the Group's customer experience, in parallel with the continued increase in the number of users and the frequency of use, beyond pay slips. New revenue models, based on "BtoBtoC" (procedures using the digitisation of documentation to partner organisations) or "BtoC" (freemium offer with advanced functions), will also be launched.

With two cross-entity project strategies:

- significantly increasing the number of customers with a La Poste account to support sales development (all-channel Group relational policy) and supporting the goal of ensuring customer relation quality;
- continuing the development of AI for the Group's business projects and industrial process performance.

As a support, an external growth policy complements the actions taken:

- in January 2018, Eukles was acquired by Docaposte to strengthen its electronic document management offering and to benefit from an efficient distribution network with mid-market companies. The company has performed better than expected. This development will continue in 2019;
- in July 2018, Docaposte acquired Voxaly, a French leader in the electronic voting market. Through its acquisition of Voxaly, Docaposte, already strongly present on this market, has become an undisputed leader in the sector. Finally, this acquisition strengthens Docaposte's position as an expert in digital transitions in the strategic sectors of banking/insurance, the public sector, healthcare and mass market (with Maileva).

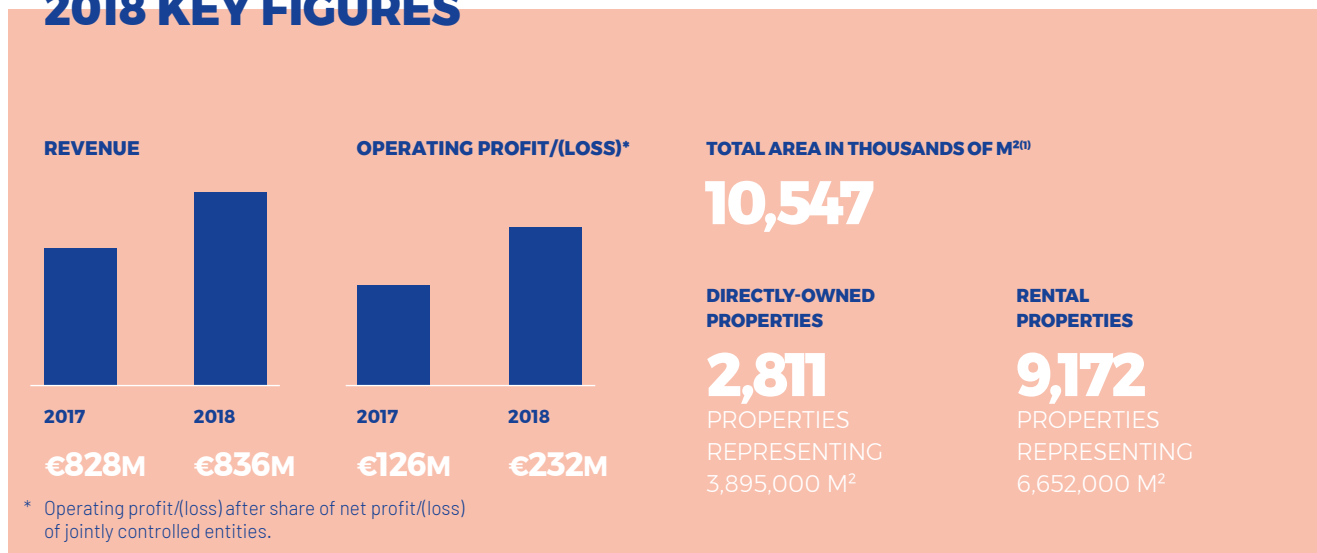
5.7 Real Estate

5.7.1 OVERVIEW

Real Estate Division is strategic for Le Groupe La Poste and is key to challenges associated with:

- the development of the business units' industrial facilities;
- customer reception;
- local coverage;
- employee working conditions;
- the Group's efforts with respect to responsible development;
- economic and financial performance.

2018 KEY FIGURES



2018 key highlights

- Following a complete restructuring, sale of the "La Boétie" site (former mail delivery platform), with a total surface area of 11,000 m².
- Gain from the Quai Bercy project in Charenton of a total surface area of 50,000 m², including a new generation logistics centre, offices, apartments, shops, etc., developed in partnership with SOGARIS and ICADE.
- Extension of the proposed grouping of employee within the "Villages La Poste" to the regional departments and new studies in progress in Dijon, Nancy, Lille, Rouen, Rennes, Toulouse and Montpellier.

5.7.1.1 A very large real estate portfolio

Spread out across all of France, Le Groupe La Poste's real estate portfolio is one of the largest in France in terms of number of assets. In terms of size, it has unusual characteristics: 11,983 buildings, representing 10.5 million square metres of which 37% owned by the Group (see Chapter 7).

The Real Estate Division has assets throughout the country and participates in the public service mission of Le Groupe La Poste with regard to regional planning (at least 90% of the population

of a department must be within 5 km – 20 minutes – of a postal retail outlet).

Completely atypical, it includes widely diversified assets in terms of size, type and usage. It consists of large industrial platforms, small and medium retail spaces and commercial premises. To illustrate this, the smallest buildings (post offices in small municipalities or in the French overseas departments) have a surface area of about 50 square metres and the largest, such as the Industrial Mail Platform (PIC) in Wissous or the Poste du Louvre, have surfaces of up to 39,000 square metres.

(1) The entire real estate portfolio for Le Groupe La Poste.

The specific nature of this portfolio also consists of the number of people who come through its doors every year: in 2018, 85% of the French population stated that they had visited a post office at least once to carry out postal or bank transactions⁽¹⁾.

Beyond these aspects, the Group's real estate portfolio represents considerable financial stakes both in terms of operating expenses as well as in terms of non-current assets on the Group's balance sheet.

5.7.1.2 The Real Estate division

The Real Estate division, which has more than 930 employees imbued with a dual real estate and postal service-oriented attitude, is determinedly positioned as a partner for the Group's growth momentum. It manages most of the Group's real estate activity (79% of the surface area is occupied by Group entities throughout France), and its scope of responsibility covers in particular the parent company (La Poste SA) and La Banque Postale. GeoPost as well as the subsidiaries of the Services-Mail-Parcels business unit directly manage their own real estate.

The Real Estate division comprises:

- Le Groupe La Poste's Real Estate Department, which sets out and oversees the Group's real estate policy;
- Poste Immo, a wholly owned subsidiary of the Group, which implements the Group's real estate policy and takes on the responsibility of property ownership.

5.7.2 ACTIVITIES

Poste Immo is an overall partner in the business units' competitiveness and development as it is implicitly involved in the business units' expenses, from the real estate itself in the *strictest* sense, but also from their energy consumption. Real estate is also vital in cross-entity discussions embodied in three of the Group's major shared high-priority projects, in particular, which are energy transition, urban logistics and modernisation of public action. In 2014, La Poste also made Poste Immo responsible for centralising the information necessary to develop urban logistics services.

Poste Immo has increased professionalism in real estate management, invested in and modernised the portfolio, and generated cash for the Group and financed capital expenditures from disposals. Poste Immo has also helped manage the business units' real estate costs (particularly through work to optimise and reclaim surface area).

Structured around two key challenges (long-term performance and profitable development), Poste Immo has positioned itself as the entity that manages the Group's real estate assets, as well as a service provider and real estate co-developer.

Poste Immo was founded in 2005 to turn real estate into a value creation tool for the Company and to underpin the business units' performance (with the goal of reducing their real estate costs and support them in their growth and their real estate discussions). With its eight regional departments, Poste Immo is active across the country, working as closely as possible with the Group business units, elected officials and stakeholders.

Poste Immo manages a real estate portfolio of 10,326 buildings, totalling 6.2 million square metres, 55% of which it owns. This portfolio breaks down into three categories:

- buildings owned or leased by Poste Immo;
- buildings owned or leased by La Poste's Real Estate Division;
- buildings owned by La Banque Postale's subsidiaries, which are outside the Real Estate division's legal scope, but inside its scope of management.

Poste Immo's legal scope includes 55 companies with various legal forms: real estate investment companies (*Sociétés civiles immobilières* – SCI), simplified joint stock companies (*Sociétés par actions simplifiées* – SAS), companies with variable capital investing predominantly in real estate (*Sociétés à prépondérance immobilière à capital variable* – SPPICAV) and civil construction-sale companies (*Sociétés civiles de construction vente* – SCCV). Each company is responsible for a specific function.

All of Poste Immo's services and business as well as its real estate management are ISO 9001-2015 certified.

5.7.2.1 Entity responsible for managing the Group's real estate assets

Managing the Group's real estate assets meets the Group's and its business units' real estate needs.

Enhancing the value of the real estate portfolio

Poste Immo manages and adds value to directly owned properties by guaranteeing profit on investments in accordance with market rules. The division also supports the Group's modernisation strategy and helps update the portfolio in line with new uses. Since its creation in 2005, Poste Immo has reduced the size of Le Groupe La Poste's directly owned properties by 27%, and the cash and cash equivalents generated by disposals and surplus internal cash have enabled the Group to finance €4.3 billion in construction work.

In 2018, €324 million in investments were made on the portfolio, and €259 million in asset disposals were signed. These disposals include the former Mail Preparation and Delivery Centre, rue la Boétie, the sale of which was signed in June 2018 after a complete

(1) Source: BVA, 2018 Network Barometer.

restructuring of the building. On a completely different scale, four post offices and their buildings, all located in rural areas in the Eure department were sold to Poste Habitat, which signed a partnership agreement with the French Ministry of Culture for the promotion of local economies, with the goal of improving access to culture by setting up an innovative network that associates social housing and cultural spaces.

In addition to these disposals, Poste Immo decided to launch an innovative call for projects for buildings no longer used for postal purposes. A first call for projects was launched in early 2018 for the Palais du Commerce in Rennes in partnership with the City and the metropolitan area, inviting market participants to imagine new uses for this building, which would remain a Poste Immo asset. In February 2019, the City of Rennes and Poste Immo chose the project led by the Frey group, associated with the architects MVRDV/ Bertrand Desmoulin, to modernise and adapt the building to the needs of tomorrow. A second call for projects, called "the Seventies" was launched at the end of 2018 on two sites in Cergy and Amiens.

At the end of 2016, Poste Immo acquired a building called Opale, located right next to Le Groupe La Poste's new headquarters, off plan. The building, delivered at the end of 2018, has a floor space of about 17,000 square metres for offices and will welcome, starting in June 2019, Le Groupe La Poste employees.

Urban logistics

Poste Immo secures strategic locations for Le Groupe La Poste, builds the high-performance real estate network of tomorrow and is readying itself to build an urban logistics offering in France's major cities (delivery methods adapted to consumer and retailer expectations and to the complexity involved in delivering items in urban hotspots⁽¹⁾). Post offices in urban hotspots have a real advantage, both in terms of location and in terms of capturing customer flows. They are therefore an attractive target for installing automated lockers for parcels (123 installed since 2014).

Given the challenges pertaining to city and regional transformation, Poste Immo actively contributes to the urban logistics high-priority shared project. Within this context, the real estate assets necessary for this business must meet several criteria: they must be located in a dense urban area (to deliver quickly over an extended period of time), they must be able to achieve high environmental performance (appropriate vehicle traffic plan management), they must be economically advantageous (contribute to lower costs through design and management). Real estate must offer spaces that are physically adapted to the logistics operations by enabling and encouraging the Group's logistics offerings to be combined at the same site, encouraging spaces to be used in an innovative way (shared times and spaces) while being economically competitive.

The Group has a multitude of urban sites, which is a competitive advantage from which it will benefit at a time when numerous logistics centres have been moved away from city centres, and when last mile logistics becomes critical, both in terms of organisation, for e-commerce players and customers in particular,

as well as in terms of sustainable development, especially for elected officials.

Out of the 15 urban logistics projects currently being studied, three projects materialised in 2017: Bordeaux Urban Logistics Centre, Marseille Triangle Saint Charles and Lumin' Toulouse and one in 2018, namely Quai Bercy in Charenton. The Bordeaux Urban Logistics Centre was delivered at the end of 2017. The approximately 5,000-square-metre site, labelled HEQ from the start, houses Le Groupe La Poste's logistics activities. In addition, deliveries made from this site will be made using low greenhouse gas emission vehicles.

In Marseille, work was completed on a former sorting centre, with delivery in early 2019 of the building, now called "Triangle Saint Charles" and converted into commercial spaces for SNCF. The project, which aims to be recognized as a BDM (*Bâtiments Durables Méditerranéens*, Mediterranean Sustainable Buildings), and receive HEQ Commercial Space – Sustainable Management certification and the "Effinature" label, includes the creation of an urban logistics space of 2,200 square metres.

In Toulouse, Poste Immo, together with Semmaris and Caisse d'Epargne Midi-Pyrénées as part of the consortium Lumin'Toulouse, was awarded the public service delegation for the operation of the National Interest Market (Marché d'Intérêt National) and the development of the logistics area of the last mile at Fondreyre. Thanks to the creation of a sustainable and innovative real estate complex of 18,700 square metres, the logistics area at Fondreyre will become the first link in the last mile of the Toulouse metropolis. A competition of architects was organised at the end of 2017 to select a project for the construction of the Fondreyre logistic platform. The buildings are striving to achieve HEQ Excellent and low energy consumption certification.

Finally, at the Paris and Charenton-le-Pont site, the group formed by Sogaris, Icade and Poste Immo won the call for projects launched in the framework of the "Inventons la Métropole du Grand Paris" (Let's Invent the Greater Paris Metropolis) contest on the Bercy Charenton site. The project, now known as "Quai Bercy", provides 50,000 square metres of mixed-use facilities, including a 17,000-square-metre next generation logistics hotel, 15,000 square metres of offices, hotel programming and 8,000 square metres of shared apartments (cizeo-living), a 5,000-square-metre business hotel, 1,000 square metres of shops and event spaces, as well as a 4,000-square-metre sporting facility.

Identifying other strategic assets downtown that could accommodate logistics operations will enable Poste Immo to offer concrete and new real estate solutions to Group entities and other types of customers.

5.7.2.2 Real estate service provider

Poste Immo is responsible for advising the business units while they develop their real estate site location strategy and for helping them cut their property expenses in several ways:

(1) Downtown areas in large metropolitan areas.

Optimising space and rents

Poste Immo helps in anticipating the business units' real estate needs and assessing the upstream potential for the most efficient use of assets used in both the directly owned portfolio and in the rented portfolio. Reducing under-occupied or vacant spaces is the key to decreasing real estate costs. The optimisation of the space occupied by the business units, launched in 2010, thus made it possible to decrease leased surfaces by 1,008,000 square metres and generated recurrent annual savings for the business units' rent and property expenses. For the fifth consecutive year, the Group's rents decreased. In 2018, they decreased by 1.6% (-12% over five years). In addition, as a partner of Le Groupe La Poste's business units, Poste Immo has proposed offering more flexibility on directly owned properties via a so-called lock-up exception clause as part of a change in its management rules. It enables the business units, each year, to return 5% of the surface area of real estate that is not subject to a fixed term outside the lease expiration date.

Adapting the portfolio

Poste Immo aims to support the business units' discussions on future locations, taking into consideration challenges related to city and regional development.

Poste Immo is thus helping the Services-Mail-Parcels business unit adapt the portfolio to its new industrial needs while limiting costs for the Group. In 2018, 14 Mail Preparation and Delivery Centres (PPDC) were transformed into multi-flow centres⁽¹⁾. One PPDC was leased in Rungis, one parcel platform was delivered in Moissy, and nine other parcel platform projects have been launched.

In the same way, Poste Immo supported the Network business unit with the drawing up of its master plan, which aimed to develop a regional network advancement scenario by combining Poste Immo's expertise in real estate opportunities and the Network's vision of the coverage and post office layouts. The advancement scenario is expected to generate lower real estate costs for the Network and a consolidated presence in places identified as strategic. In 2018, €68 million in renovation works were started on the Network, including the renovation and adaptation of 294 post offices, in order to better meet customer needs. An experiment was also conducted in Paris and Lyon to improve post office facades.

Poste Immo also manages the evolution of its portfolio of post office buildings in order to adapt to the Group's structural changes, while also optimising surface area, inter-business unit synergies and working on quality of life at work. In 2016, Poste Immo managed, in particular, the real estate aspect of the consolidation of the headquarters of the Group's various business units and main subsidiaries, lowering rent and rental expenses over a full year by 20%. The process was extended in 2017 to the regional departments: six employee consolidation projects (called Villages La Poste) were launched in Paris, Strasbourg, Bordeaux, Nantes, Marseille and Lyon. The first two projects were successfully

concluded in 2017 and works are under way on the next four sites. Over the course of 2018, studies were also conducted to launch a third wave of consolidation of the commercial establishments in Dijon, Nancy, Lille, Rouen, Rennes, Toulouse and Montpellier. The process aims to promote a more collaborative governance method between the decentralised business units' management teams in major regional metropolises to support the Group's economic and commercial performance and transformation.

Property management

Poste Immo is responsible for the property management of the assets, including for invoicing rent and expenses (Poste Immo manages more than 20,000 leases), as well as for ensuring that contractual terms and provisions are properly applied. The operational management guarantees owners a multi-annual major repairs programme and guarantees tenants the use of the leased surface areas in line with their needs: the continuous attention paid to maintaining the portfolio's value led to 1,167 technical upkeep and maintenance operations being carried out in 2018. Poste Immo provides users with advice on performance and energy optimisation.

Lastly, in a proactive approach taking into account challenges in respect of the energy transition and the energy performance of buildings (see Section 5.7.3 below), Poste Immo has introduced a sustainable management approach under the name "Démarche Bail Vert" on the buildings in its portfolio with the highest energy consumption. The approach aims to improve the environmental quality of the buildings and to reduce their operating expenses through sustainable practices in their use and management. It involves raising the awareness of tenants to eco-gestures, optimising equipment in the building and systematically including an energy performance aspect when planning work. The "Démarche Bail Vert" approach has been rolled out on the 95 sites covered by the environmental appendix (leases on office or retail premises over 2,000 square metres) and the 137 buildings brought in through the Commercial Building Charter. Since 2016, the implementation of the "Démarche Bail Vert" approach has been extended to sites with surface areas of more than 2,000 square metres for tertiary or commercial use.

New Services

In 2016, Poste Immo confirmed its ambition to develop new services by acquiring an interest in Startway's share capital. Startway is a company that offers co-working spaces. Le Groupe La Poste positioned itself in this segment in September 2015 by launching its first own co-working space called "Nomade". The objective of Nomade is to make services to professional customers within La Poste Network more attractive. With Startway, the Group has an opportunity to step up the growth of co-working, with controlled risk and multiple synergies: renting and adding value to atypical and vacant surface area, renting meeting rooms and auditoriums

(1) Besançon, Charleville, Fondettes, Le Havre, la Seyne, Angers, Woippy, Périgny, Bois-Guillaume, Argentan, Vannes, Chambéry, Valenciennes and Roubaix.

of commercial buildings, immediately strengthening expertise and skills, etc. The proposed co-working offering ranges from short-term reservations to longer rentals, from work areas to event spaces and meeting rooms, with urban and rural ecosystems. At the end of 2018, StartWay already has 20 locations throughout France, including five in former postal sites in Bordeaux, Paris, Dijon and Poitiers.

Thanks to the experience gained from servicing the portfolios of Le Groupe La Poste's business units since 2015, Poste Immo has been developing a range of real estate services dedicated to local authorities and to companies. In 2018, packaged offers were created in the field of energy transition and accessibility. In 2018, the revenue from the services delivered by Poste Immo reached €2.8 million.

5.7.2.3 Promoter, co-promoter and developer

This co-development activity embodies the industrial and commercial strategies of the Group's business units and enhances the value of La Poste's directly owned properties that are vacant or for sale, by rolling out responsible, innovative and efficient real estate projects. In this context, Poste Immo has implemented programmes of various sizes and types and has conducted scheduling, feasibility, and assembly studies and purchases of services and supplies in order to reduce costs and delays.

Operations on directly owned properties are part of the real estate company's investment strategy for assets intended to remain in the portfolio. Promotion and co-promotion concern assets that are intended to leave the portfolio.

Development

2018 was marked by the launch of a major operation in Nantes to regroup Le Groupe La Poste's employees on two sites, compared to five previously. One of these sites will host the 1,000 employees of the Information Systems Department. This project, baptised the "Maison de l'innovation" (House of innovation), aims to develop new ways of working, to achieve a high level of environmental performance (with environmentally friendly certifications and labels, a wood structure, solar panels, etc.) and to integrate itself into the local community by proposing programmes and services to residents.

In Lyon Gerland, another project to consolidate the regional operational entities of the Mail and Network business unit will lead to the demolition and reconstruction of a commercial building. Work must start in 2019 for delivery in 2021.

The construction projects for the Louvre and Marseille Colbert post offices, and for Le Groupe La Poste's corporate museum, are continuing, with deliveries that will run from 2019 to 2020.

Promotion and co-promotion

The restructuring or construction of property complexes in the 14th arrondissement of Paris and in Marseille (residential buildings), Lyon and Rennes (office buildings) for resale purposes continued in 2018.

Arkadéa, a real estate development joint venture created in 2017 by Icade and Poste Immo to carry out real estate transaction throughout France, is working on six real estate programmes in Lyon, Nîmes, Colombes, Clapiers, Rungis and Juvisy. Natural Square, the first programme launched on the site of La Banque Postale's former financial centre in Lyon, is undergoing work after a pre-commercialisation phase. The delivery of 275 housing units is planned for the end of 2020.

Overall, the planning concerning social housing in the various real estate projects managed by Poste Immo or Arkadéa is studied primarily in close cooperation with Poste Habitat, which brings together the four social housing associations Toit et Joie, Poste Habitat Rhône-Alpes, Poste Habitat Provence and La Rurale de l'Eure. Over a period of ten years, more than 40 rehabilitation or transformation projects have helped create almost 800 social housing units for Poste Habitat.

In 2018, an architectural design competition was organised for the Magenta building located in the 10th arrondissement in Paris. The building, which used to house a post office, a sorting centre and housing units, will undergo a complete makeover in order to accommodate, in 2021, housing units, a post office, a co-working space, an urban logistics centre and car parks.

Lastly, the real estate promoter call for tenders launched for the iconic postal station in Strasbourg selected Bouygues Immobilier on the basis of a project with 100 housing units (including 38 social housing units), a senior services residence, a post office, a restaurant, a commercial building and underground car parks. Delivery is scheduled for 2021.

5.7.3 CHALLENGES PERTAINING TO SUSTAINABLE DEVELOPMENT

As a real estate asset management company, a service provider and co-developer, Poste Immo advises, supports and offers solutions or initiatives to promote responsible real estate based on two major commitments.

5.7.3.1 Manage energy transition towards responsible buildings

All new construction corresponds to BBC/HQE standards, with the key challenge being upgrading the old portfolio, 50% of which is over 50 years old. Poste Immo has begun reviewing the energy renovation potential of its strategic buildings, as well as experimenting with simple schemes and action plans that can be adjusted for the entire real estate portfolio, and first of all for facilities where a green lease has been signed, prior to rolling them out. Nine property transactions with one or more environmental certifications (including three operational certifications) are part of this commitment, representing around 154,000 square metres, or 3.6% of the directly owned properties.

In 2013, Poste Immo signed an Energy Efficiency Charter for public and private office buildings, and in May 2014 it made a commitment to improve the energy performance of its directly owned properties with more than 5,000 square metres by 25% from 2011 to 2020. This scope represents around 120 sites covering approximately 22% of final total energy consumption, and 20% of the surface area of the portfolio managed. The energy performance of these directly owned properties was improved by 17% over five years.

In October 2015, Poste Immo presented its commitment in favour of the Paris Climate Action Charter as part of the efforts supported by the Group by 2020 to contribute to the city of Paris' goals.

In 2018, Poste Immo was the winner of the CUBE 2020 competition for the third year in a row, with an average savings of 12% on the 40 participating buildings, i.e. around €500,000 saved in 2017.

Poste Immo has actively undertaken to adopt a proactive approach to the energy performance of its real estate portfolio and has reaffirmed its commitment to remain a key player in this area.

In 2018, indicators were put in place to measure the results of Poste Immo's 2015-2020 "Immobilier Responsable" (Responsible Real Estate) policy, focused on two pillars:

- Energy and Carbon:
 - strive for a label or certification at the best possible levels (or equivalent to the 15% most efficient) for any new construction,

- strive for a label or certification for any general renovation project;
- Natural resources:
 - always apply the policy of preventing and managing work site waste,
 - promote biodiversity in our buildings.

5.7.3.2 Promote a comprehensive approach and sustainable use of natural resources

Poste Immo has 45 photovoltaic units that were commissioned on its buildings under a partnership arrangement. Their total annual production equals the annual electric consumption of around 1,000 households.

In 2018, a new 800 kWc power plant was built on the Languedoc PIC car park, and 10 new pilot projects were initiated to test the direct use of generated electricity⁽¹⁾.

Poste Immo tasked ROZO⁽²⁾ with collecting and validating Energy Savings Certificates (CCE) for several development plans and is developing active responsible purchasing policies in the areas of sustainable development and energy management.

As the entity responsible for managing real estate assets and for coordinating groups of orders relating to energy management, in 2015 and 2016, Poste Immo managed competitive tenders in certain energy supply markets to reduce the Group's carbon footprint and generate substantial cost savings. As a result, since 1 May 2016, Le Groupe La Poste has supplied its entire real estate portfolio with renewable energy (excluding some French and foreign subsidiaries).

Poste Immo also partnered with Caisse des Dépôts and Egis to create a joint venture, Sobre, which will address the Group's energy transition challenges, and then launch this service externally. Sobre offers real estate professionals concrete solutions to manage and decrease energy consumption. At the end of 2018, the solution was deployed on 176 Le Groupe La Poste buildings.

Since 2015, 100% of directly owned public access buildings are now accessible to people with reduced mobility (excluding exempt buildings).

In 2016, Poste Immo pioneered the implementation of a work site waste management policy. The targeted recovery rate was 10% higher than the regulatory target for 2020 (85% of inert waste and 80% of non-hazardous waste).

(1) Self-consumption: local production on site and consumption by the site or neighbourhood.

(2) An energy performance consulting firm, whose purpose is to promote energy-saving initiatives in all sectors through Energy Savings Certificates (CEE).

It extended the regulatory obligation (mandatory waste diagnosis during deconstruction of buildings of more than 1,000 square metres) to all its sites (demolition, construction, rehabilitation, renovation, redevelopment, etc.).

In 2018, two experiments were conducted on the reuse of construction materials.

In order to help contribute to the preservation of biodiversity, Poste Immo set up its first LPO⁽¹⁾ shelter on the Rennes Colombier site in 2018.

Lastly, since October 2018, Poste Immo has been testing a boiler system that runs on recycled food oils at a site in Marseille. These oils are collected from Group cafeterias and other sources.

5.7.4 STRATEGY AND OUTLOOK

Poste Immo must continue to support the business units in their new challenges (quality of service, cost reduction, network changes, new markets), and find external growth opportunities with its subsidiaries (in the areas of real estate development, co-working and energy management), by offering consulting services, property development and management services to new customers or by becoming a key player in urban logistics.

The real estate policy led by Poste Immo pursues two goals:

- to align the interests of the renting business units and the property management company;
- to create value for both parties through this alignment by positioning itself with competitive advantage in the market.

These goals are reflected in Poste Immo's real estate policy, which focuses on three pillars:

- refocusing: refocusing involves repositioning properties and controlling real estate costs by reducing vacancies in directly owned and rental properties, by supporting the adaptation of

the business units' commercial and industrial networks and by reducing expenses on the rental portfolio (renegotiating leases, relocating, optimising occupied surface area);

- investing: the goal is to improve the portfolio and increase value by securing current and future strategic locations, by optimising targeted investments and by continuing to make the portfolio compliant while integrating sustainable development;
- developing: this focus area aims to strategically create value within the Group over the long term by:
 - acquiring assets in new areas being developed for the Group's future needs. Developing an urban logistics real estate offering to aim to pool together and optimise the Group's logistics processes,
 - identifying, qualifying and speeding up value creation through existing property assets, by researching equity or industrial partnerships on strategic assets as well as through financial partnerships on commercial and mixed-use assets.

(1) LPO: Bird Protection League.

5.8 Regulations

Le Groupe La Poste is a large, multi-business group made up of the parent company La Poste SA and its different subsidiaries, which operate in very different fields of activity, in particular around logistics (processing services, sorting, transportation and delivery of mail, parcels and other types of postal items), banking services, insurance and asset management, telecommunications, and information management via a broad range of digital solutions. Not to mention the multi-channel distribution activities (physical and virtual), the management of the Group's real estate portfolio in support of its operating activities or, due to more recent developments, the services to individuals with a growing range of local services performed by postmen (see the previous sections).

Beyond common law, some of La Poste's business activities are governed by specific regulations (European Union legislation applicable to postal services, which has been transposed into French law, regulations on transport and forwarding companies, regulations on the banking sector or regulations on telecommunications – see Section 5.8.1) and also falls under a number of specific provisions due to the public service missions for which it is responsible (see Section 5.8.2).

The following summary of legislative or regulatory provisions is not intended to provide an exhaustive description of all the legislative and regulatory provisions governing Le Groupe La Poste.

5.8.1 REGULATIONS SPECIFIC TO LE GROUPE LA POSTE'S BUSINESSES

From a regulatory perspective, Le Groupe La Poste's business falls into the following main categories:

- postal business (mail/parcels), the Group's traditional business;
- express-related activities (express parcel business) through GeoPost subsidiaries;
- banking activities, via its La Banque Postale subsidiary;
- telecommunications activities, and mainly mobile telephone activities since 2011, via La Poste Telecom.

The European directives were transposed into national law:

- by law No. 2005-516 of 20 May 2005 on the regulation of the postal business, which partially deregulated the market for items of correspondence and defined the regulatory framework, including the creation of the French Authority for regulation of the electronic communications and postal sectors (*Autorité de régulation des communications électroniques et des postes* – Arcep);
- by law No. 2010-123 of 9 February 2010 on the La Poste public sector company and the postal business, codified in Articles L. 1 et seq. of the French Postal and Electronic Communications Code, which ended the protection of the sector and adjusted the regulatory framework on 1 January 2011.

5.8.1.1 Postal business

The provisions governing the development of the European Union internal market for postal services were set out in an initial directive of 15 December 1997 (97/67/EC). This was supplemented by the directives of 10 June 2002 (2002/39/EC) and 20 February 2008 (2008/6/EC). These directives were also responsible for the gradual deregulation of the postal sector, which ended with the market completely opening up to competition on 1 January 2011.

The directive of 15 December 1997 notably established the provision of a universal postal service within the European Union. The universal postal service, provided in France by La Poste, conceived as a right of access to postal services for users, encompasses a range of services with a specified quality, which must be provided in all member states at affordable prices for all users, irrespective of their geographical location (see below, Section 5.8.2.1).

On 18 November 2015, the European Commission published its sixth report on the application of the postal services directive in which it recognised that the two primary objectives of the European postal policy have been widely achieved: guaranteeing a minimum set of pre-determined high-quality services at affordable prices for all users and ensuring the market is open under conditions that promote fair competition.

The report on the application of the directive also affirmed the European Commission's concern regarding the cross-border parcels market. In order to increase e-commerce between the member states and to foster digital inclusion, the Commission published on 25 May 2016 a draft regulation on cross-border parcel delivery services and how to improve pricing transparency and strengthen regulatory authorities' power. The adopted regulation was published in the Official Journal of the European Union on 2 May 2018⁽¹⁾. It establishes monitoring procedures over this booming market.

(1) Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

The text gives new competencies to the national authorities. Arcep will be responsible for collecting information on the parcel market from all parcel delivery providers, and evaluating parcel fares for universal service operators. As such, the implementing⁽¹⁾ regulation, which specifies the forms for the presentation of information by parcel delivery service providers under the parcel regulation, was adopted on 20 September 2018. Guidelines⁽²⁾ establishing an evaluation methodology over these cross-border parcel delivery prices for universal service operators were published on 13 December 2018. Le Groupe La Poste will provide Arcep with the corresponding data starting in 2019 as part of the implementation of this regulation.

Definition of postal service

Postal services are deemed to include the collection, sorting, shipping and delivery of postal items as part of regular rounds.

In addition, a postal item is any item to be delivered to the address indicated by the sender on the item itself or on its wrapping, including in the form of encoded geographic coordinates and presented in the final form in which it is to be shipped. Postal items include books, catalogues, newspapers, periodicals and postal parcels containing merchandise with or without commercial value.

Lastly, an item of correspondence is defined as a postal item that weighs up to 2 kg and contains written communication on any kind of physical medium, excluding books, catalogues, newspapers or periodicals.

All these provisions are set out in Article L. 1 of the French Postal and Electronic Communications Code.

The system of prior authorisations

The postage of items of correspondence is a regulated business activity subject to prior receipt from Arcep of an operating licence. Since Title II of the law of 9 February 2010 took effect on 1 January 2011, a licence which is renewable and non-transferable is issued for a period of 15 years, and covers all items of correspondence (Article L. 3 of the French Postal and Electronic Communications Code), given that the protected sector has been dismantled.

The procedure to grant authorisations as well as applicable obligations for authorised service providers are defined in Decree No. 2006-507 of 3 May 2006. The request for authorisation must contain a certain amount of technical, financial and commercial information pertaining to the applicant and its operations. In addition, postal service providers must apply for a licence to post items of correspondence domestically and/or cross-border. These provisions are codified in Articles R. 1-2-1 et seq. of the French Postal and Electronic Communications Code.

The granting of the licence requires an express decision by Arcep.

La Poste holds a licence covering:

- items of correspondence including delivery;
- postage of outward cross-border items of correspondence.

This licence was issued for 15 years pursuant to Arcep's Decision No. 2016-1331 of 18 October 2016.

In addition, the law of 20 May 2005 designated La Poste as the service provider responsible for the universal postal service. The law of 9 February 2010 reaffirmed the award of this mission to La Poste for a period of 15 years as from 1 January 2011 (see Sections 5.8.2.1 et seq.).

Rights and obligations relating to the licence

La Poste, like all postal service providers licensed to provide postage services for items of correspondence, is required to fulfil a series of obligations relating to:

- guaranteeing the safety of users, staff and facilities;
- guaranteeing the confidentiality of items of correspondence and the integrity of their contents;
- providing users access to a simple, transparent and free claims procedure;
- ensuring data and privacy protection;
- meeting the goal of protecting the environment as regards the implementation of the technical aspects of the services.

These obligations, which, in particular, consist of introducing rules for identifying employees, measures to ensure the confidentiality of correspondence, in addition to arrangements for implementing claims processing procedures, are detailed by a Ministerial Decree dated 3 May 2006.

All these obligations were supplemented by the law of 9 February 2010. Now, any postal service provider holding an authorisation must also:

- guarantee the neutrality of the postal services with regard to the identity of the sender and the nature of the postal items;
- guarantee access to services and facilities for disabled people in line with the provisions of Article L. 111-7-3 of the French Building and Housing Code;
- comply with legal and contractual obligations related to employment rights and applicable social security legislation, notwithstanding the special provisions applying to those who may have civil servant status;

(1) Commission Implementing Regulation (EU) 2018/1263 of 20 September 2018 establishing the forms for the submission of information by parcel delivery service providers under Regulation (EU) 2018/644 of the European Parliament and Council.

(2) COM(2018) 838 final – Communication from the commission on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263.

- respect public order and national defence related obligations.

In addition to these obligations, service providers licensed by Arcep are entitled to access private letterboxes in order to be in a position to deliver postal items.

Access to essential resources

Where it proves necessary to protect the interests of users and/or to promote genuine competition, member States are required to provide transparent and non-discriminatory access to certain aspects of the postal infrastructure deemed essential to the carrying on of a business. La Poste's essential resources were introduced by the law of 20 May 2005 (codified in Article L. 3-1 of the French Postal and Electronic Communications Code) transposing the provisions of directive No. 97/67/EC. They consist of access to the postcode system, the address database, PO boxes, letterboxes, information on address changes, a forwarding and return to sender service.

In this respect, in France, any operator licensed to post items of correspondence has access, on transparent and non-discriminatory terms, and on the technical and pricing terms and conditions set out in the related agreements signed with La Poste, to the following essential resources:

- the postcode index matching these codes to geographic details such as streets and addresses;
- the information collected by La Poste with respect to changes of address;
- a forwarding service in the event of a change in the recipient's address;
- a delivery facility or service for post office boxes installed in post offices.

La Poste informs Arcep of the technical and pricing terms and conditions on which service providers can access essential resources and notifies them of any agreements entered into in this respect.

Liability rules and regulations

Postal service providers are subject to special liability rules and regulations. These rules and regulations provide that the liability of postal service providers shall be governed by Articles 1134 *et seq.* and 1382 *et seq.* of the French Civil Code with respect to losses and damages arising during service and in the event of a delay in delivering a postal item, if the service provider has committed to a shipping time for this postal item (Articles L. 7 and L. 8 of the French Postal and Electronic Communications Code).

The compensation is set by Decree No. 2006-1020 of 11 August 2006, which provides for maximum compensation with regard to the nature of the items and the postage. Accordingly, compensation

payable by postal service providers as a result of the loss or damage of postal items, other than parcels, may not exceed:

- for ordinary items, a sum equal to twice the postage price;
- for items that the sender has asked to be tracked from drop-off in the service provider's network to delivery, a sum equal to three times the postage price;
- for items subject, in accordance with the terms and conditions laid down by decree by the minister responsible for postal services, to procedures attesting to their postage and delivery, the sum of €16;
- for insured items, the insured amount.

In the event that postal parcels are lost or damaged, the maximum compensation is €23 per kg of merchandise lost or damaged (the gross weight shall be the weight of the merchandise plus the wrapping).

The decree also sets out the period after which a postal item that has not been delivered to its recipient should be considered lost (40 days from the date on which it is dropped off in the service provider's network).

The compensation that may be payable by postal service providers as a result of a delay in delivering postal items entrusted to them may not exceed the postage price.

Reporting requirements

Under Article L. 135 of the French Postal and Electronic Communications Code, licensees must provide Arcep with annual statistics on the use, coverage area and terms and conditions of access to their service. This reporting in particular includes items relating to the nature and volume of the various postal services for which they are licensed. Arcep is also empowered to carry out expert assessments, undertake studies, collect data and carry out all forms of reporting on the postal sector.

As part of this reporting obligation, Arcep is required to make a decision every year with respect to carrying out an annual survey designed to:

- ensure that all sector stakeholders and consumers are kept informed by publishing aggregate indicators on the main postal sector segments;
- provide the necessary data for public policy reviews, and in particular, Arcep's work with respect to the implementation of the regulations in force;
- assess the effect of its decisions on the market as a whole.

The Arcep members designated in the decision are the only ones authorised to receive and process individual information collected in the course of this survey.

These surveys are published on Arcep's website as part of the Annual Observatory of Postal Activities.

Arcep's authority

Arcep is empowered to settle disputes arising from the performance of postal activities. This consists of powers to settle disputes and arbitration powers.

Arcep may be called upon to settle a dispute when it involves an agreement to access essential resources (see the Section on the access to essential resources), or involves entering into or performing agreements that vary from the general terms and conditions of the universal postal service offering for items of correspondence. Where the dispute falls outside the scope of the dispute settlement procedure, Arcep may be called upon to mediate.

In addition, Arcep can decide to hand down penalties against a universal postal service provider or a licence holder, on its own initiative or at the request of the minister responsible for postal services, a professional body, a recognised user group, an affected individual or legal entity, universal postal service provider or licence holder. Arcep may only hand down penalties having given the interested party formal notice to comply with its obligations within a specific deadline.

Arcep's authority to sanction in the postal and electronic communications sectors was modified by the Order of 12 March 2014. The terms of application for this new sanction procedure have also been clarified by:

- decree No. 2014-867 of 1 August 2014 on the sanction procedure of the French Authority for regulation of the electronic communications and postal sectors (Arcep);
- Arcep's internal rules of procedure.

The new provisions of the Postal and Electronic Communications Code organise the separation of the prosecution and ruling functions by entrusting them to distinct members of the Authority's Board. A panel, known as the "panel for the settlement of disputes, proceedings and investigations" composed of four members of the Board who are not members of the decision-making panel, including the Chairman of the Authority, takes decisions relating to opening proceedings, investigations, settling disagreements and inquiries, and a panel of the three most recently appointed members of the Board to take decisions pertaining to sanctions.

The penalties available to Arcep are as follows:

- warning;
- cutting a year off the length of the licence;
- suspending the licence for at most one month;
- withdrawing the licence;
- fine, the amount of which is proportional to the severity of the breach, the position of the interested party, the scale of the damage and the amount it benefited from it, subject to a 5% maximum of net revenue for the most recently ended fiscal

year, this threshold being raised to 10% in the event of a further infringement.

The universal service provider can only be sentenced to a pecuniary penalty.

Arcep cannot be summoned regarding events dating back more than three years, if no effort has been made to identify them, ascertain their veracity or penalise them. Lastly, the sanctions imposed by Arcep are the subject of substantiated decision, the concerned party shall be notified of them and they may be rendered public in publications, newspapers or public communications channels through an electronic means chosen by the restricted party, in a format and for a duration proportionate to the sanction imposed. They may be cause for an administrative appeal and an application for a suspension filed in line with the provisions of Article L. 521-1 of the French Administrative Justice Code with the French Council of State.

In addition to these powers, since the effective introduction of Title II of the law of 9 February 2010, Arcep has additional powers with respect to the processing of claims by postal service users where these claims have not been resolved under the procedures put in place by the licensed postal service providers.

In addition, on 17 October 2017, Arcep launched a reporting platform that allows individual customers, businesses and communities to report problems encountered with fixed-line, mobile phone, Internet or postal service operators. However, it is not a tool for the formal referral to the Authority according to Article L. 112-8 of the code of relations between the public and the administration. The data collected in this reporting platform will be used by Arcep to quantify problems.

5.8.1.2 Express-related operations

La Poste operates in the express parcel service business through GeoPost's subsidiaries. These subsidiaries operate mainly as a freight forwarding companies or road hauliers. These two businesses are governed by specific regulations.

Conditions governing access to the transport and freight forwarding profession

The conditions governing the exercise of freight transport activities are mainly set forth at European level by regulation No. 1071/2009 of 21 October 2009 and at national level by the law of 30 December 1982 on domestic transport and Decree No. 99-752 of 30 August 1999, as amended by Decree No. 2011-2045 of 28 December 2011.

The conditions for access to the freight forwarding business are mainly laid down in the law of 30 December 1982 on domestic transport and in Decree No. 90-200 of 5 March 1990 (whose provisions are now incorporated in the French Freight Forwarding Code) on the performance of freight forwarding companies. The latter differs from a transport operator in that it organises and arranges various freight transport phases under its responsibility without actually transporting them itself or without transporting them the whole way.

Companies operating in the road freight transport sector in France using motor vehicles must hold an administrative authorisation to exercise such an activity and be registered in the national register of road transport firms as well. For the issuance of the administrative authorisation and registration, four conditions must be met: firms are stable and genuinely established, with sound financial standing, professional integrity and professional ability.

The financial standing criterion means that the company must have equity or guarantees of at least €1,800 for the first vehicle with an average authorised weight of up to 3.5 metric tonnes, and €900 for each subsequent vehicle. For vehicles above 3.5 metric tonnes, these amounts are increased respectively to €9,000 and €5,000. The integrity criterion must be satisfied both by the company's legal representative(s) and the person responsible for the management of the transport activity.

The condition of professional ability concerns the company's transport manager who must hold a certificate of professional ability. This status is obtained by holding certain diplomas, by passing a specific examination or by proof of professional experience.

Freight forwarding companies in France must be registered in the national register for freight forwarding companies. Such registration is subject to compliance with the two criteria mentioned above of professional standing and professional competence.

Conditions governing the performance of road transport and freight forwarding activities

The freight road transport company must possess an EU licence if it engages in transport using vehicles with a maximum authorised payload above 3.5 metric tonnes and a national transport licence for vehicles under 3.5 metric tonnes. These administrative authorisations are valid for 10 years and subject to renewal.

A certified copy of the administrative authorisation required must be carried on board the corresponding vehicle.

Furthermore, operating a freight transport business in France requires a number of documents, namely the bill of lading and tracking document.

The bill of lading, which is mandatory on board for any vehicle, contains a series of compulsory information regarding the sender, the recipient and the freight being transported. It may be produced by the freight forwarding company, when applicable.

The tracking document must be filled in as the transportation is performed. This document, which is duly signed by the remitter or its representative and kept in the vehicle, indicates the arrival and departure dates and times of the vehicle both at the loading location and the unloading location. The freight forwarding company

is required to maintain a register in paper or electronic form for road freight forwarding or consolidation services, including information about the shipper, recipient, road haulier and the service.

In addition, a summary of the load indicating the inventory of the consolidation batch must be prepared by the freight forwarder's consolidator.

5.8.1.3 Banking activities

La Banque Postale, a wholly-owned subsidiary of La Poste, is a public limited company with a Management and Supervisory Board, authorised to operate as a bank by the Credit Institutions and Investment Firms Committee (*Comité des établissements de crédit et des entreprises d'investissement* – CECEI) in 2005 and registered as an insurance broker by the Register of Insurance Brokers (*Organisme pour le registre des intermédiaires en assurance* – ORIAS) since May 2007.

In this respect, La Banque Postale targets all customer segments and provides a comprehensive banking, financial, savings and insurance offering:

- banking services: postal cheque account (CCP) management and payment services, overdraft facilities, home loans, consumer loans, corporate loans and loans to the local public sector;
- financial instruments: investment account management, investment of financial securities including units or shares in UCITS, and futures;
- savings products: savings products subject to special tax rules and unregulated savings products, employee savings products, insurance linked products.

It also offers payment services unconnected with a bank account, such as postal money orders, money transfers and cash foreign currency.

Bank transactions, transactions associated with bank transactions, investment services and services associated with investment services, savings products and cash foreign currency exchange are regulated by the French Monetary and Financial Code.

Insurance products are governed by the French Insurance Code.

These codified provisions, supplemented by un-codified legal and regulatory provisions, govern La Banque Postale's operations in their respective fields.

Moreover, La Banque Postale is also subject to oversight by professional authorities: the European Central Bank (ECB) and the French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) as part of the Single Supervisory Mechanism, and the French Financial Markets Authority (*Autorité des marchés financiers* – AMF).

ECB Single Supervisory Mechanism

The Single Resolution Mechanism (SRM) and the Single Supervisory Mechanism (SSM) are the two pillars of the European Banking Union. These mechanisms, which were created in response to the financial crisis in 2008, aim to make banking activities in Europe more transparent, more unified and more secure:

- the Single Supervisory Mechanism (SSM) is the European system for banking supervision in force since 4 November 2014, comprising the European Central Bank (ECB) and national supervision authorities of participating countries.

Its main goals are to ensure that the European banking system is safeguarded and sound, to strengthen financial integration and stability and to guarantee consistency in banking supervision.

The ECB, with the support of the national authorities, has the power to conduct prudential reviews, on-site inspections and investigations; to grant or withdraw their authorisation to banks; to assess acquisitions and disposals of equity investments and to establish stricter capital requirements (or buffers) intended to pre-empt any financial risk.

The European Central Bank directly supervises 127 large banks in participating countries;

- the Single Resolution Mechanism (SRM), operational since 1 January 2016, aims to guarantee an efficient resolution for failing banks at the lowest cost for the taxpayer and the real economy. It originated from the transposition of the Bank Recovery and Resolution directive (BRRD) into European law. The Single Resolution Board (SRB), in force since this same date, has to ensure that procedures and decisions are made and carried out quickly. Resolution measures are financed by a Single Resolution Fund (SRF), backed by bank contributions and which must meet the 1% target for eligible deposits (Article 102 BRRD) by no later than 31 December 2024.

Risks affecting a bank are assessed and measured annually via the Supervisory Review and Evaluation Process (SREP). Items assessed at this time come from the business profile, governance and risk management, risks affecting share capital, and liquidity and finance risk. Joint Supervisory Teams (JST) draw up a decision for each bank, determining the supervision measures under Pillar II.

Prudential ratios and extra capital buffers

As is the case with all banks, La Banque Postale must comply with a certain number of regulatory prudential ratios relating in particular to its solvency and asset liquidity:

- under Pillar I, a basic Common Equity Tier 1 ratio (CET1) of 4.5%, a T1 capital ratio of 6% and a total capital ratio of 8%;

- under Pillar II, an additional CET1 requirement of 1.75% as of 1 January 2019 resulting from conducting the SREP 2018, Pillar II requirement, or "P2R";
- in addition to these Pillar I and II requirements, additional buffers must also be respected:
 - the Capital Conservation Buffer (CCB), applicable to all European institutions, was set at 2.5% in 2019. It aims to absorb losses during periods of intense economic stress,
 - the countercyclical buffer, determined by each country, aims to combat excessive credit growth. In France, this buffer is set quarterly by the High Council for Financial Stability. As of 1 July 2019, its level will increase from 0% to 0.25% in accordance with the decision of 1 July 2018 (confirmed on 23 January 2019),
 - the systemic buffer, applied according to the institution's systemic importance. For La Banque Postale, which is qualified as an "other systemic institution", it amounts to 0.25% for 2019;
- the Leverage Ratio: since 1 January 2015, this ratio is subject to an observation and calibration period by the European Banking Authority (EBA) and could become a Pillar I ratio upon entry into force in 2019 of the regulation modifying Regulation (EU) 575/2013 (CRR). Its minimum level is set at 3%;
- the Liquidity Coverage Ratio (LCR⁽¹⁾): this ratio has applied to European banks since 1 January 2015, following the regulation delegated by the Commission on 10 October 2014, with a minimum requirement set at 100% for 2018;
- the Net Stable Funding Ratio (NSFR⁽²⁾): in December 2015, an EBA report spoke in favour of implementing this ratio in European regulations according to a committed time frame, but offered a certain number of adjustments to take into account characteristics specific to the European market.

Managing bank crises (second pillar of the Banking Union)

The Bank Recovery and Resolution directive (BRRD), which defines a European system for re-establishment and resolution, was transposed into French law in August 2015. It provides for creating and maintaining recovery and resolution plans.

La Banque Postale updates its recovery plan and submits it to the ECB for validation on a yearly basis.

La Banque Postale is one of the banks that falls under the responsibility of the Single Resolution Board (SRB) based in Brussels, which is, in particular, responsible for creating its resolution plan.

Under this resolution, La Banque Postale closely monitors Europe's progress on measures on loss absorption capacity, and in particular the work of the SRB that is expected to establish a Minimum Requirement for own funds and Eligible Liabilities (MREL).

(1) Liquidity Coverage Ratio.

(2) Net Stable Funding Ratio.

Changes in the regulatory framework

In December 2018, the Council of the European Union gave its agreement in principle to the outcome of the discussions between the Presidency, Parliament and the Commission on the banking “package”. Four directives are involved (CRR2, CRD5, BRRD2 and SRMR⁽¹⁾), whose objective is to bring prudential banking requirements in line with the prudential standards of the Basel Committee on Banking Supervision (BCBS) and the Financial Stability Board (FSB) on the leverage ratio (including the exemption by nature of the exposures related to the centralised savings and no longer requiring authorisation), large exposures, the methodology concerning the requirement for stable funding (NSFR), and the minimum requirement in terms of total loss absorbing capacity (TLAC). All of these measures will be applicable on 1 January 2021, except for the elements on the resolution that are applicable starting from the entry into force of the texts.

5.8.1.4 Telecommunications business

Le Groupe La Poste operates in the telecommunications market, mainly in mobile telephone activities, through La Poste Telecom (jointly held with SFR).

On 14 October 2010, La Poste Telecom declared itself as an operator with the French Authority for regulation of the electronic communications and postal sectors (*Autorité de régulation des communications électroniques et des postes* – Arcep) to conduct two business activities: telephone services to the public (direct transfer of voice in real time between fixed-line or mobile users) and services other than telephone service (electronic communication services). The telephone service that La Poste Telecom provides to the public is mobile.

However, La Poste Telecom is a mobile telephone operator that does not have specific authorisation to use radio frequencies. As such, it is Mobile Virtual Network Operator (MVNO).

SFR is the “host” network operator of La Poste Telecom. An agreement to provide access was signed in early 2011 for SFR to supply wholesale mobile electronic communications services (voice, SMS, data) to La Poste Telecom across metropolitan France. Thus, La Poste Telecom, through its access agreement, benefits from the interconnections negotiated by SFR with all mobile and fixed-line operators.

End-to-end mobile voice services are provided by SFR with a quality of service equivalent to that offered by SFR to its own customers for comparable services. In addition, to the extent that La Poste Telecom benefits from a simple provision of access, it is primarily SFR that is bound by regulatory obligations regarding interconnection.

Since registering with Arcep, La Poste Telecom has enforced the rights and obligations attached to the establishment and operation of public networks on the basis of Article L. 33-1 of the French Postal and Electronic Communications Code.

La Poste Telecom has the right to engage in the aforementioned activities of public telephone service and services other than telephone service as well as the right to be issued blocks of numbers by Arcep.

La Poste Telecom is subject to rules relating, in particular, to:

- conditions governing the consistency, quality and availability of service;
- conditions of confidentiality and neutrality with regard to the messages transmitted and information related to communications;
- regulations governing health and environmental protection;
- free routing of emergency calls;
- funding of the Universal Electronic Communications Service.

5.8.2 REGULATIONS APPLICABLE TO PUBLIC SERVICE MISSIONS

La Poste is tasked with four public service and public interest missions, defined in Article 2 of the law of 2 July 1990, as amended:

- universal postal service;
- contribution to regional planning and development through its network of retail outlets;
- press transport and delivery;
- banking accessibility.

The four public service missions entrusted to La Poste are carried out in the respect for the principles of equality, continuity and adaptability while striving to maximise economic and social efficiency. They respond to a social need and promote the balanced development of the country while remaining flexible: they must evolve according to the needs of users and society at large, in application of the principle of public service adaptability.

The commitments made by La Poste and the French State are defined in a multi-annual Public Service Agreement: for the 2018-2022 period, the Public Service Agreement, which was approved

(1) Regulation amending the “Single Resolution Mechanism Regulation” which is the text supplementing the “BRRD” directive on the resolution for banks of the Banking Union.

by the Group's Board of Directors on 19 December 2017, was signed by all involved stakeholders on 16 January 2018.

For each of its missions, the concrete implications of the current agreement are as follows:

- Universal Postal Service mission:

The Public Service Agreement strengthens the monitoring of the quality of service through new indicators, the monitoring of user satisfaction, and the performance of the industrial facilities. The purpose of this change is to provide a renewed quality of service procedure that better reflects customer expectations in regards to universal service, and which was adopted by the Decree of 12 September pertaining to the quality of service objectives set for La Poste for 2018, 2019 and 2020 (see Section 5.8.2.1).

It is also planned to enrich the offer: in view of new user expectations, La Poste is committed to enriching its offer by offering a tracking option on all single-piece mail, effective since 1 March 2018. In the same way, in order to support small e-retailers in their international development, La Poste incorporated, on the same date, the tracking option on the international business packages offer and the international priority mail offer in the universal postal service catalogue;

- Regional planning mission:

The new Public Service Agreement incorporates the main provisions of the 2017-2019 postal coverage agreement, which made it possible, through a network of 17,000 La Poste retail outlets, to maintain postal coverage in rural areas, in disadvantaged urban areas and in the French overseas departments, to perpetuate partnerships (postal agencies and retail outlets) and to develop new forms of resource pooling (public service areas and postman-counter clerks in post offices). In addition, the 2017-2019 postal coverage agreement gives the Departmental Commissions on local postal coverage (CDPPT) increased operational leeway (they can conduct experiments, in particular to find new solutions for service pooling) and autonomy in the management of their resources. It also strengthens digital accessibility, by allocating at least 15% of the total departmental budget, namely €75 million over three years, i.e. €30 million more than in the previous agreement (see Section 5.8.2.2)

For this mission, La Poste benefits from a reduction in local taxes (up to 95% of the amount normally paid) of resources allocated by the French State. On 6 April 2018, the European Commission announced that the tax allowance granted to La Poste to ensure a high level of postal coverage in France, which could reach approximately €900 million for the duration of the 2018-2022 Public Service Agreement, complies with the European Union regulations pertaining to State aid;

- Press transportation and delivery mission:

An Inter-Ministerial Decision rendered on 5 September 2016 set the price increase levels for 2016 to 2020. The service pricing for postal press public service transportation will support annual reassessments for this period, before taking inflation into account – 0% for daily newspapers with low advertising resources, 1% for political and general information publications and 3% for other types of press. The amount of compensation granted by the French

State to La Poste is specified in the Public Service Agreement up to 2020 (see Section 5.8.2.3).

In a decision on 24 January 2019, the European Commission declared compatible with the internal market the compensation for the public service mission relating to the transport and delivery of the press⁽¹⁾ for the 2018-2022 period.

- Banking accessibility mission:

La Poste will continue to carry out this mission *via* La Banque Postale, through the Livret A savings account, which helps encourage the use of banking solutions and savings among financially vulnerable customers. This mission is also the subject of an agreement between La Banque Postale and the French State. A new agreement, signed on 18 December 2017, defining the framework starting on 1 January 2015 was the subject of discussions with the European Commission as part of a pre-notification procedure regarding compensation paid to La Banque Postale for Livret A savings account banking accessibility services of general economic interest (SIEG). The financial terms and conditions pertaining to compensation for the 2015-2020 period are defined in the Decree of 4 December 2017 modifying the Decree of 26 February 2015 in accordance with Article R. 221-8-1 of the French Monetary and Financial Code. On 24 October 2017, the compensation was declared in accordance with European Union rules on State assistance.

In addition, as part of the 2013-2017 Public Service Agreement, La Poste had welcomed, for the first time, voluntary citizen commitments, illustrating the Company's active contribution to the implementation of public-interest policies and support of social development. It has renewed these engagements in the framework of the 2018-2022 Public Service Agreement by committing itself to supporting the development of the digital society, by developing local services (for individuals, regions, legal entities, etc.) and banking services for vulnerable populations, as well as by acting in favour of sustainable and responsible development (social, societal and environmental).

The Public Service Agreement High-Level Monitoring Committee, chaired by the Secretary of State in charge of Industry under the Minister of the Economy and Finance, met for the fifth year in a row on 30 November 2018, in the presence of Le Groupe La Poste's Chairman and Chief Executive Officer and executives, as well as stakeholders such as trade unions, consumer associations and the postal sector regulator. During this meeting, the Monitoring Committee mentioned the French State's, La Poste's and all of the stakeholders' commitment to carrying out and ensuring the sustainability of the public service missions entrusted to Le Groupe La Poste during a period when its economic environment is undergoing substantial change.

In this context, the committee referred to the implementation of the project to create a large public finance division serving the territories, between Caisse des Dépôts (CDC) and La Poste, made possible by the draft PACTE law. A sketch of this public finance division was presented to the committee.

It took note of the first achievements of the 2018-2022 Public Service Agreement, in accordance with the commitments of the signatories. The foundations of the banking accessibility mission

(1) http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_48883

and the importance of the specific needs that it satisfies were the subject of a special examination.

The public service missions assigned to La Poste are presented in turn in the following sections.

5.8.2.1 Universal postal service mission

The law of 20 May 2005 designated La Poste as the service provider responsible for the universal postal service mission. The law of 9 February 2010 confirmed the assignment of this mission to La Poste, for a period of 15 years as from 1 January 2011.

Legal and regulatory framework

The concept of the universal postal service was defined by the Postal directive No. 97/67/EC in 1997. Directive No. 2008/6/EC of 20 February 2008 modifying directive No. 97/67/EC did not introduce substantial changes in the definition of universal service at the European level.

The universal postal service guarantees for every European citizen a permanent postal service of specified quality throughout the territory at affordable prices. This guarantee involves:

- distribution to the door of every individual or legal entity;
- collection and delivery at least five times a week;
- the accessibility of the retail outlets and the mailboxes; the density of retail outlets and access points must accommodate users' needs;
- deadlines for national and cross-border shipments;
- affordable prices based on costs.

In terms of services, directive No. 97/67/EC stated that the universal postal service should at least include the following services:

- postal items of up to 2 kg;
- postal parcels of up to 10 kg;
- services for registered items and insured items.

EU provisions on the universal postal service were transposed into French law by the law of 20 May 2005 and subsequently supplemented by the law of 9 February 2010.

The legislature elected for an expanded universal postal service as provided for in Article L. 1 of the French Postal and Electronic Communications Code: "The universal postal service helps bring about social cohesion and the balanced development of the country. It is carried out in such a way as to ensure respect for the principles of equality, continuity and adaptability while striving to maximise economic and social efficiency. It guarantees permanent access to postal services of specified quality to all users throughout the country. These services are offered at affordable prices for all users."

The law of 9 February 2010 confirmed the principles governing the universal service and did not modify either its definition or its scope. It specifies that "prices are cost-oriented and encourage efficient delivery, while taking into account the characteristics of the markets in which they apply".

In addition, Decree No. 2007-29 of 5 January 2007 on the universal postal service and on La Poste's rights and obligations, modified by the Decree of 20 September 2012 regarding the net contributions into the universal postal service compensation fund, reaffirmed and detailed the legislature's choice with respect to both the characteristics of the universal postal service (i.e. offering, accessibility, collection, delivery, quality of service, etc.) and the rights and obligations incumbent on La Poste as a universal service provider (catalogue, cost accounting, pricing information, monitoring of the carrying out of missions, etc.).

The set of principles governing the universal postal service's definition and scope were not amended by the law of 9 February 2010.

Supervisory framework

Arcep is tasked with monitoring the opening up and proper functioning of the postal market while ensuring the financing and safeguarding of the universal postal service.

Arcep ensures that La Poste meets its universal postal service obligations, and in this regard establishes a multi-annual price cap along with price regulation of services on a case-by-case basis within the scope of the universal postal service. In its capacity as universal service provider, La Poste is subject to quality of service, claims processing and accounting obligations. A compensation fund was established to finance this mission.

In addition, every year, La Poste sends Arcep a report on the universal postal service it provided, with a copy sent to the minister responsible for postal services.

Features of the universal postal service

The French legislature has broadly defined the universal postal service in France, whose scope is set out in Decree No. 2007-29 of 5 January 2007 (codified as Articles R. 1 et seq. of the French Postal and Electronic Communications Code). The universal postal service in France includes the following minimum services for domestic and cross-border postal services:

- items of correspondence weighing up to 2 kg:
 - priority and non-priority single-piece mail,
 - bulk distribution;
- postal parcels offered to the public by unit up to 20 kg, by ordinary or registered mail;
- newspapers and periodicals;
- catalogues and other printed matter;

- registered items;
- insured items;
- forwarding;
- literature for the blind.

Collection and delivery services within the scope of the universal postal service are carried out every business day (six days a week), save in exceptional circumstances, or more than the minimum of five days required by the directive. Distribution of services within the scope of the universal postal service is carried out in appropriate facilities to the door of every individual or legal entity.

These services are offered on a permanent basis to all users across mainland France, in the overseas departments and in Saint-Pierre-et-Miquelon.

Universal service accessibility

In regard to the accessibility of the universal postal service, Article R. 1-1 of the French Postal and Electronic Communications Code specifies that at least 99% of the French population and at least 95% of the population in each department must live less than 10 km from a retail outlet, and that all municipalities with more than 10,000 inhabitants must have at least one retail outlet for each Section of 20,000 inhabitants⁽¹⁾.

Universal postal service catalogue

La Poste puts together and keeps updated a catalogue outlining the services falling within the scope of the universal postal service (i.e. description of offerings and current prices). This catalogue was approved by the minister responsible for postal services on 20 August 2007, following a favourable opinion by Arcep on 26 April 2007, and can be downloaded from La Poste's website.

La Poste must simultaneously seek approval from the minister responsible for postal services, and consult Arcep for any proposed substantial changes to the catalogue, other than prices, when these changes affect the single piece postal component of the universal postal service. Should the minister fail to object within two months of receipt of the document, the changes are deemed approved. In the case of bulk postal services, La Poste must only inform the minister responsible for postal services and Arcep of the catalogue changes.

At 1 January 2018, La Poste upgraded its "Publissimo" range, offering a universal service for the delivery of newspapers and periodicals. This has been enriched with a new two-day delivery service in line with customer demand.

In accordance with the commitments proposed by La Poste for the 2018-2022 Public Service Agreement, and in the pursuit of its upmarket strategy, La Poste modified its universal service catalogue on 1 March 2018. This change enhances the range of services offered to customers who can tailor their purchase to

their needs. La Poste offers a tracking option on domestic regular single-piece deliveries and integrates within the universal service the existing option of tracking on international regular single-piece deliveries for businesses (International Business Mail and International Business Parcel) and Export Tracking.

At the same time, La Poste eliminated its "Sac M" (M Bag) offer, which allowed customers to send to a single address a bag of homogeneous mail items weighing between two and twenty-five kilograms at the "economic" service level. The offer no longer met the needs of customers, neither in terms of its characteristics nor its price point.

Multi-annual price caps

Multi-annual price caps governing the prices for services falling within the scope of the universal postal service are set by Arcep, following a review of La Poste's proposal (Article L. 5-2 of the French Postal and Electronic Communications Code).

This price cap makes it possible to control price increases for all or some of the products in the sector governed by postal regulations, with a view to keeping the Company's operating margin constant over a specific period.

In accordance with Article L. 5-2-3 of the French Postal and Electronic Communications Code, following a proposal by La Poste, Arcep defined the price caps of offers falling under the universal postal service (almost all mail and parcel offerings for consumers) for the 2015-2018 period, in its Decision No. 2014-0841 of 22 July 2014. The average annual adjustment in universal postal service prices was fixed at the level of inflation plus 3.5% for four years, from 2015 to 2018. However, La Poste was allowed to use 50% of the total budget in the first year to take into account La Poste's short-term difficulties in adjusting its expenses to a huge drop in volumes. In addition, on 19 September 2017, Arcep clarified, following the public consultation it conducted from 26 June to 26 July 2017, the new rules for the accounting of the fixed costs of postal distribution (Decision No. 2017-1100) and consequently amended Decision No. 2014-0841 of 22 July 2014 on the multi-annual programming of prices of the universal service for the 2015-2018 period. This change, tempered by the triggering of inflation and volume adjustment clauses, raises to 5% in 2018 the price cap relating to the universal postal service.

In addition, after the completion of the work started in the first half of 2017 and the public consultation conducted between 26 September and 18 October, Arcep adopted Decision No. 2017-1252 of 26 October 2017 relating to the multi-annual programming characteristics of the prices of the universal postal service for the 2019-2022 period. This decision caps the average annual increase in prices to 5% in nominal terms within the scope of the universal postal service, contrary to the mechanism in force for the 2015-2018 period, which allowed a modulation of increases over the period.

The implementation of the universal postal service is part of a highly evolving context with changes in practices, linked to the continued development of digital services, which is reflected in a structural decline in mail volumes.

(1) Article 6 of the law of 2 July 1990, modified by the law of 20 May 2005, specifies that La Poste contributes to national planning and development, through its network of retail outlets, as a complement to its universal postal service obligations. As part of this additional mission, La Poste is subject to more restrictive accessibility rules: "Save in exceptional circumstances, these rules do not permit that over 10% of people in a department live over 5 kilometres or over 20 minutes' car journey, based on the traffic conditions in that department, from home to the nearest La Poste retail outlet." The French Postal Act of 9 February 2010 adds that the La Poste Network "must have at least 17,000 retail outlets spread across French territory taking into consideration France's special characteristics".

In the context of profound changes in the environment in which La Poste operates, this 2019-2022 price cap ensures, on the basis of La Poste's planned price changes, that the financial equilibrium of the universal service can be maintained. It represents a sharing of efforts between the Company and consumers.

Case-by-case price regulation for universal service products

The law of 9 February 2010 (Article L. 5-2-3° of the French Postal and Electronic Communications Code) stipulates that Arcep issue opinions on service price increases within the scope of the universal postal service. In addition, it empowers Arcep to change or suspend planned price increases where the pricing principles applying to the universal postal service are patently not complied with.

Quality of service obligations

At European Union level, quality of service standards relating to the shipping time for postal items from the date of deposit by the sender until delivery to the recipient were defined for cross-border mail within the European Union. Accordingly, from the time the object is passed to the postal operator, 85% of items must be delivered within three days and 95% within five days.

At the national level, quality targets are also set by the minister responsible for postal services (Decree of 12 September 2018 pertaining to quality of service objectives for 2018, 2019 and 2020). These annual targets, dealing with the speed and reliability of services, cover in particular the following services:

	2018 Objectives	2019 Objectives	2020 Objectives
Priority mail			
Next-day delivery rate	+85%	+85%	+85%
"Lettre Verte" (green mail)			
Two-day delivery rate	+94%	+94%	+94%
Registered mail			
Two-day delivery rate	+95%	+95%	+95%
Excessive delays for single-piece mail			
Priority mail, Lettre Verte, Registered mail beyond four days	<1%	<1%	<1%
Universal service parcels			
Two-day delivery rate	+91%	+91%	+91.5%
Excessive delays (delivery beyond four days)	<1.5%	<1.5%	<1.5%
Mail forwarding contracts			
Rate of implementation of the mail forwarding contracts within the time limits requested by the customers	+95%	+95%	+95%

In addition to these objectives set in the ministerial decree, the quality of service objectives defined at the EU level for cross-border import mail (three-day at 85% and five-day at 97%).

Arcep ensures that these targets are met along with the publication and reliability of service quality measures. It also commissions an independent body to carry out an annual survey on the quality of service of various components of the universal postal service.

In addition, La Poste provides Arcep with any information it may request for carrying out its responsibilities and its oversight of the universal postal service. Arcep's requests must be well-founded and proportionate to its needs as well as specify the level of detail required and the deadline involved.

Moreover, La Poste regularly measures quality of service based on European or national standards (Article R. 1-1-8 of the French Postal and Electronic Communications Code). Some of these standards are addressed annually by means of a ministerial decree.

The results of these measurements are disclosed to users and Arcep by the annual publication of the universal service dashboard.

Claims processing

As the universal service provider in France, La Poste must publish an annual report on the monitoring of its performance, as well as information on the number of claims and the manner in which they have been handled (Article 19 of directive No. 97/67/EC).

The decision of the minister responsible for postal services on the quality of service targets set for La Poste with respect to its universal postal service mission also states that an annual report must be published on claims processing, breaking down the number of mail and parcels claims as well as the procedure used to handle them. The evaluation method must comply with the principles provided for by European standard EN 14012. The Decree

of 12 September 2018 sets in its second annex a quality indicator to be included in the universal service dashboard.

Furthermore, as a universal service provider, La Poste must display a notice at each retail outlet detailing the claims procedure and the standard compensation. Universal postal service users must have access to claims forms. The time taken to deal with a claim relating to a domestic postal item may not exceed two months from receipt of the claim accompanied by supporting documentation. This claims processing procedure is free for customers (Article R. 1-1-9 of the French Postal and Electronic Communications Code).

Lastly, should users not be satisfied with the response to their claim, they may file a further claim, which is dealt with by a different unit. If they feel the response is still not satisfactory, they may then ask Le Groupe La Poste's mediator to intervene.

Accounting obligations

Since 1 January 2011, when the market was fully deregulated and the protected sector was dismantled, La Poste has been required to present separate financial statements for the services within the universal postal service scope, and for the services outside that scope.

The cost allocation principles for this regulatory accounting are laid down by Arcep. At the request of Arcep, La Poste provides any accounting document and information required to enable Arcep to verify that La Poste is complying with its obligations.

La Poste's regulatory accounting has been audited by La Poste's Statutory Auditors every year since 2000. Since 2006, Arcep has carried out an audit, via an independent organisation that it approves and which La Poste pays for, to verify that the defined principles are correctly applied.

Universal postal service financing

The provisions of the French Postal Code resulting from the laws of 20 May 2005 and 9 February 2010 provide that the operator in charge of universal service may, if it bears an unfair cost under its obligations, request the application of a compensation fund, which is funded by all licensed postal operators (including the universal service provider itself), in proportion to the number of postal items dispatched within the universal postal service scope (any operator dispatching a number of items of correspondence below a threshold set by decree shall be exempt from making a contribution to the fund). Arcep is responsible for calculating the net cost of the universal postal service obligations and the amount of the contribution payable into the fund by each authorised postal operator if this fund is activated.

La Poste, responsible for the universal postal service, does not currently plan to request the activation of this fund whose return would be very low: the universal service does not currently yield any compensation.

If this fund is activated, Arcep may ask La Poste to provide it with any information and study it has that makes it possible to objectively assess the additional costs associated with the provision of the universal postal service.

A Council of State decree, issued following consultation with Arcep and CSNP (High Commission for Digital and Postal Services), should clarify the methods for measuring, compensating and sharing the net costs associated with the universal postal service obligations. A second decree, issued following a public notice by Arcep at the request of the universal postal service provider, establishing, based on accounting data, that it bears an unfair financial expense as a result of its universal postal service obligations, shall set the first year with respect to which the net contributions into the universal postal service compensation fund shall be collected.

5.8.2.2 Regional planning mission

The law of 9 February 2010 reaffirmed the assignment to La Poste of a regional planning public service mission, consisting of the contribution to regional planning and development through its network of retail outlets as a complement to its universal postal service obligations.

This mission is therefore added to the universal postal service obligations for which La Poste is the designated service provider, and responds to a strong ambition of postal coverage in the country, including in areas where retail outlets could not remain open according only to economic concerns (rural or mountainous areas, overseas departments, urban priority locals).

Legal and regulatory framework

To fulfil the national postal coverage obligations incumbent upon it, La Poste must deploy a network of retail outlets that meet two cumulative accessibility rules:

- an accessibility rule for universal postal service (see above, Section 5.8.2.1); and
- a complementary accessibility rule for its contribution to regional planning, set down by the law of 2 July 1990 on the organisation of the public services of La Poste and France Télécom, as modified by the law of 20 May 2005: "Save in exceptional circumstances, these rules do not permit that over 10% of people in a department live over 5 kilometres or over 20 minutes' car journey, based on the traffic conditions in that department, from home to the nearest La Poste retail outlet." The French Postal Act of 9 February 2010 adds that La Poste Network "must have at least 17,000 retail outlets spread across French territory taking into consideration France's special characteristics, in particular in the overseas departments and territories".

In order to carry out this mission while supporting regional development and new customer expectations since their practices

and habits change (due in particular to the rise of digital, new technologies and new forms of mobility), La Poste is continually adapting its organisation and its Network to find the best social and economic efficiency. La Poste has progressively built and adjusted a network of retail outlets made up of different forms of postal coverage:

- post offices managed by La Poste, which, in each region, provide access to all products to individual customers;
- retail outlets managed by its partners, which entails entrusting the provision of the most common services to:
 - local authorities (municipalities or groups of municipalities local postal agencies and intercommunal postal agencies), or
 - private partners (shopkeepers), in which case they are called “La Poste Relais” outlets.

These partnerships make it possible to improve access to postal services through longer opening hours.

The development of shared outlets is at the heart of the evolution in postal coverage, in a context of the continued decline in activity and use of the post offices. At the national level, La Poste's network is made up of 17,238 La Poste retail outlets (post offices, postal agencies, La Poste Relais) spread out over 14,131 municipalities. 52.2% of these outlets are located in rural municipalities⁽¹⁾.

Within each department, La Poste presents an annual report on local coverage in line with the accessibility standard, including a map setting out the location of the various La Poste retail outlets.

In 2018, 94 departments in mainland France and all the overseas departments met the accessibility standard. In the overseas departments, every municipality has at least one retail outlet, except for French Guiana (21 out of 22 municipalities).

Governance

The regional planning mission benefits from a decentralised system, with a dual (national and departmental) governance structure that allows for ongoing and in-depth interaction and consultation with local elected representatives:

- in each department, a Departmental Commission on Local Postal Presence (*Commission départementale de présence postale territoriale* – CDPPT) guarantees the consistency of the postal offer in its territory and is responsible for ensuring La Poste's respect of the accessibility standard for regional planning in the department. It determines in particular how the department spends the equalisation fund and examines any legal proceedings by mayors in regard to the evolution of postal coverage. Each CDPPT is made up of elected officials representing the municipalities, departments and the regions, and a representative from the Prefect and from La Poste;

- at national level, the National Observatory of Postal Coverage, established in December 2007, monitors the implementation of the local postal coverage agreement. It monitors, in particular, the management of the equalisation fund, the CDPPT's work and the development of the postal network, and is tasked with evaluating, prospecting and promoting innovative solutions.

The Observatory has 28 members who are appointed for the duration of the local postal coverage agreement, including six representatives from the French State, six representatives from AMF, six representatives from La Poste, six members from CSNP, two departmental advisers from CDPPT and two general advisers from CDPPT.

The regional planning mission is the subject of a multi-annual local postal coverage agreement signed between the French State, La Poste and the French Mayors' Association and the presidents of intercommunal consortia. Following the very positive outcome of the first three agreements, the fourth local postal coverage agreement was signed on 11 January 2017 for the 2017-2019 period.

It takes into account changes in practices and technologies in its priorities: adapting postal coverage to the diverse needs of regions and populations in the different mainland and overseas administrative departments, sharing of services (such as the public service areas (MSAP) and postmen-counter clerks in post offices, set down in the previous agreement), improving digital accessibility, innovative actions, supporting of vulnerable populations, better information on the opening of retail outlets.

It contains elements promoting an innovative vision for regional planning: at least 15% of loans allocated to each Departmental Commission on Local Postal Presence (CDPPT) must be used to improve access to digital services (material and training of postmen), which represents €75 million (2017-2019), or €30 million more than in the previous agreement. Moreover, each CDPPT may dedicate 5% of its budget to experiments related to regional planning, and has been granted greater autonomy in the distribution of resources allocated to it and a more important monitoring and coordination role.

Financing

The additional coverage ensures that the regional planning mission corresponds to the number of retail outlets deployed by La Poste to enable it to fulfil this mission, in addition to those resulting from the sole obligation of accessibility of the universal postal service.

The net cost of this additional coverage is assessed each year by Arcep based on a method provided for by Council of State Decree No. 2011-849 of 18 July 2011, following consultation with CSNP. The latter specifies that “the net cost of this additional coverage is equal to the avoided cost in its absence less revenue lost in its absence”.

After applying this method, Arcep considered that the net cost of the additional coverage required by La Poste in order to fulfil its regional planning mission was €203 million for 2017 (Decision No. 2018-1136 of 20 September 2018).

(1) Source: Insee 2018, Definition Urban/Rural Insee 2010.

Following the referral to Arcep, the High Commission for Digital and Postal Services (CSNP) issued a favourable opinion on 6 December 2018⁽¹⁾ on the draft report submitted by Arcep to the French Government and Parliament on the net cost of this mission in 2017.

To offset this additional cost, La Poste receives a compensation from the French State of up to 95% in local tax reductions on the amount it normally pays. These allowances apply to property taxes and regional economic contributions (property taxes on companies and tax on companies' added value) owed by La Poste.

For 2017-2019, the provisional amount of this allowance, set down in the 2017-2019 local postal coverage agreement, is €174 million per year, *i.e.* a total of €522 million over three years, which takes into account part of the financing of the 500 public service areas (MSAP) located in post offices. This amount is allocated to a national postal territorial compensation fund for which La Poste must keep separate accounting and financial records.

On 6 April 2018, the European Commission concluded that the tax allowance granted to La Poste to ensure a high level of postal coverage in France, which could reach approximately €900 million for the duration of the 2018-2022 Public Service Agreement, complies with the European Union regulations pertaining to State aid.

5.8.2.3 Press transportation and delivery mission

The law of 2 July 1990 makes La Poste responsible for a press transportation and delivery public service mission. The law of 9 February 2010 confirmed the assignment of this mission to La Poste.

By facilitating press transport and delivery through special rates given to media publishers, La Poste contributes to the free communication of ideas and opinions and helps protect pluralism. La Poste carries out its mission over the year throughout the entire country, in particular in rural and sparsely populated areas, under conditions that guarantee equal treatment of subscribers.

Framework of the mission

The prices for the services offered to the press under this public service mission are approved by the minister responsible for postal services following a public notice by Arcep (Article L. 4 of the French Postal and Electronic Communications Code). Furthermore, since 2009, La Poste has had a universal postal service offering for press publications, whose prices were subject to an opinion by Arcep.

The press transportation and delivery public service mission was governed by a multi-annual agreement (the "Schwartz agreement") between the French State, La Poste and press industry unions for the 2009-2015 period. As the Schwartz agreement ended on 31 December 2015, in June 2015, the Ministry of Culture and

Communications announced the launch of press assistance reform, concerning postal press delivery, in particular.

After work by the French government to update the conditions for transporting postal press was completed, an Inter-Ministerial Decision rendered on 5 September 2016 established price increase levels for the 2016-2020 period.

The trajectory of pricing adjustments predicts, in particular, that service pricing for postal press public service transportation will support annual reassessments for the 2016-2020 period, before taking inflation into account – 0% for daily newspapers with low advertising resources, 1% for political and general information publications and 3% for other types of press.

The amount of compensation granted by the French State to La Poste has been specified up to 2020 and is set down in the 2018-2022 Public Service Agreement.

Public service offers

As of 1 November 2018, La Poste has enriched its catalogue of services offered as part of its press transportation and delivery mission by proposing a new preparation level: "PIC sorted bundles" drop-offs. This offer is in line with the recommendations made in 2015 by Arcep in its Opinion No. 2015-0831 to the French government on press costs. It is intended for non-urgent (four-day) and economic (seven-day) delivery services general information publications benefiting from CPPAP accreditation (excluding PIPG and QFRP). It mainly responds to the needs of publications whose distribution is too low or insufficiently concentrated to benefit from the reductions of prices envisaged for specific preparations in "direct postmen bundles" or in "direct postal code bundles". It offers an optimisation opportunity for almost all titles using the four-day and seven-day service offerings.

This new offer is the result of commercial and industrial discussions undertaken with press publishers to adapt the postal offer and look for levers of savings likely to lower postal rates. By using the machine sorting capabilities of Industrial Mail Platforms (PIC), the new proposed industrial organisation optimises the processing of press flows and offers prices 2.5% lower than the "non-machine sorted bundles" offer.

This offer was approved on 30 October 2018 by the French Ministry of the Economy and Finance⁽²⁾ after Opinion No. 2018-1205 of the French Authority for regulation of the electronic communications and postal sectors dated 1 October 2018.

On 1 January 2019, La Poste chose to rationalise its offer by reserving the "mechanised department sorted bundles" and "mechanised all of France bundles" prices for the press shipments made using an urgent (one-day, two-day or three-day) service. Publishers who used the non-urgent (four-day) and economic (seven-day) services of these offers will be able to utilise the new "PIC sorted bundles" offer, which has many advantages. Less demanding in terms of presentation, preparation and packaging of the items, it allows publishers to maintain attractive pricing.

(1) Opinion No. 2018-03 of 6 December 2018.

(2) Decree of 30 October 2018 approving the prices of La Poste's new "PIC sorted bundles" as part of the services offered to the press under its public service mission for the transport and delivery of the press. BO Central Administration No. 2018/12 of 5 December 2018.

This change in the catalogue was approved at the same time as the 2019 prices for the transmission and delivery of the press mission by the French Ministry of the Economy and Finance by the Decree signed on 12 December 2018 after the Opinion No. 2018-1395 of the French Authority for regulation of the electronic communications and postal sectors dated 15 November 2018.

Financing

On 19 June 2015, the Minister of the Economy, Industry and Digital Innovation, with the Minister of Finance and Public Accounts as well as the Minister of Culture and Communications, requested an opinion from Arcep on La Poste's regulatory accounting with regards to its press transportation and delivery offering.

The opinion rendered on 7 July 2015 concluded that the public service press accounts presented a gross deficit of €506 million in 2014, corresponding to the difference between costs allocated to the press transportation and delivery offering (€904 million) and revenue (€398 million), corresponding to revenue received from press publishers.

This deficit carried over into 2015 and 2016 and settled last year at €485 million before compensation from the French State (€376 million in revenue for €861 million in attributable expenses). The compensation paid (€119 million in 2016) is still substantially lower than this deficit.

The latest decision made by the French government in December 2017, adopted in the 2018-2022 Public Service Agreement, was to allocate the following amounts for the French State's contribution to the press transportation and delivery public service: €119 million in 2016, €121 million in 2017, €111.5 million in 2018, €103.8 million in 2019, and €95.9 million in 2020.

On 24 January 2019, the Commission determined that the compensation granted by the French State to La Poste, in the maximum amount of €518.8 million over five years (2018-2022), does not exceed the net cost incurred for the public service obligations and complies with European Union regulations on state assistance.

5.8.2.4 Banking accessibility mission

Framework of the mission

The legislature has entrusted La Poste with a general banking accessibility mission⁽¹⁾: "In the banking, financial and insurance sectors, La Poste offers products and services to as many people as possible, notably Livret A savings accounts"⁽²⁾.

The banking accessibility mission aims to ensure the availability to the entire population, without any restriction, of the same

"basic" savings plan, in order to promote banking and savings and to supplement other systems already in place, such as the right to a bank account and the specific offer dedicated to financially vulnerable customers.

La Poste ensures this mission *via* La Banque Postale (LBP), its subsidiary, a credit institution⁽³⁾ through the Livret A savings accounts and according to specific conditions.

The Advisory Committee on Financial Services issued a unanimous favourable opinion on 12 July 2016 to "maintain the banking accessibility system justifying the specific mission conferred to La Banque Postale via Livret A savings accounts for 2015-2020. This mission constitutes a balanced response to specific and concrete demands expressed by very specific populations living in very vulnerable situations at times that are not covered by other accessibility programmes".

La Banque Postale has also begun to combat and prevent excessive debt and encourage micro-loans as part of the law of 9 February 2010.

Until 1 January 2009, La Poste, as well as Caisses d'Épargne, and, under special conditions, Crédit Mutuel, were the only institutions authorised to distribute Livret A savings accounts. The French Economy Modernisation law of 4 August 2008 opened up distribution of Livret A savings accounts to all banks starting on 1 January 2009. However, it set specific obligations for La Banque Postale with regards to distributing and operating Livret A savings accounts for its banking accessibility mission, which are specified in an agreement made between the French State and La Banque Postale, currently covering the period 2015-2020. La Banque Postale is required:

- to open a Livret A savings account free of charge for any individual, any association mentioned in Article 206-5 of the French General Tax Code, any public housing bodies, or any joint ownership associations so requesting;
- to allow cash withdrawals or deposits starting at €1.50 (compared to €10 in other networks) free of charge;
- to allow Livret A savings account holders to make deposits and withdrawals free of charge in any post office where it offers these same transactions to holders of postal checking accounts;
- to authorise for Livret A savings accounts all of the transactions listed by the Decrees of 4 December 2008 and 14 May 2010 from the minister responsible for the economy:
 - transfers from social services paid for by public authorities and social security bodies as well as pensions for public employees,
 - income tax, housing tax, property tax contributions, water, gas and electricity bills and rent due to social housing associations;

(1) Law No. 90-568 of 2 July 1990 on the restructuring of the postal and telecommunications public service.

(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.

La Banque Postale must also offer the following additional services for free:

- deposits into the current account of the Livret A savings account holder (by his/her legal representative or proxy), regardless of which institution the account holder uses;
- bank cheques drawn in favour of the Livret A savings account holder (of the holder's legal representative or proxy);
- making available a withdrawal card that can be used in La Banque Postale ATMs.

These specific obligations require La Banque Postale to manage Livret A savings accounts for a large part of the low-income population: in concrete terms, this means that La Banque Postale must manage a very large number of withdrawals and deposits of small sums on a daily basis, resulting in direct management costs and significant indirect costs arising in particular from the fact that a significant number of these transactions are carried out at the Bank counter. These transactions are mainly concentrated on savings accounts with low deposit amounts and in certain urban and rural areas.

At the end of December 2018, almost 51%, or around 7.7 million accounts, of La Banque Postale's Livret A passbook savings accounts held by individuals had average balances of under €150. These Livret A passbook savings accounts, which only total 0.3% of deposits, generate significant management fees because they are among the most used accounts, with more than 48% of all transactions being carried out on Livret A accounts.

Financing

La Banque Postale receives "compensation proportionate to the missions of general interest entrusted to it" on an annual basis for the specific obligations it is responsible for in terms of distributing and operating Livret A savings accounts.

As part of the collection of the Livret A passbook savings account, La Banque Postale receives compensation composed of two elements that are independent of the variations in the interest rates for savers:

- a commission on the outstandings, common to all banks and currently 0.3% of deposits, in exchange for the centralisation undertaken for the "savings funds" managed by Caisse des Dépôts; and
- an additional compensation, specific to La Banque Postale, for its banking accessibility mission. The amount of this compensation was set by a decree, made in accordance with Article R. 221-8-1 of the French Monetary and Financial Code.

This compensation for the 2015-2020 period was set by the Decree of 4 December 2017 modifying the Decree of 26 February 2015 made in accordance with Article R. 221-8-1 of the French Monetary and Financial Code. The amounts are as follows:

Year	2015	2016	2017	2018	2019	2020
Amounts (in € million)	235	355	340	320	300	280

In accordance with regulations, the banking accessibility mission is only partially compensated, and, despite the productivity gains made to reduce operating expenses, the specific compensation does not totally cover the totality of La Banque Postale's banking accessibility mission, which is constantly in a deficit.

On 24 October 2017, the Commission determined that the compensation granted by the French State to La Banque Postale in the amount of €1.83 billion over six years (2015-2020) did not exceed the net cost incurred for the public service obligations and complied with European Union regulations on state assistance.

5.9 Corporate social responsibility

5.9.1 THE CORPORATE SOCIAL RESPONSIBILITY POLICY

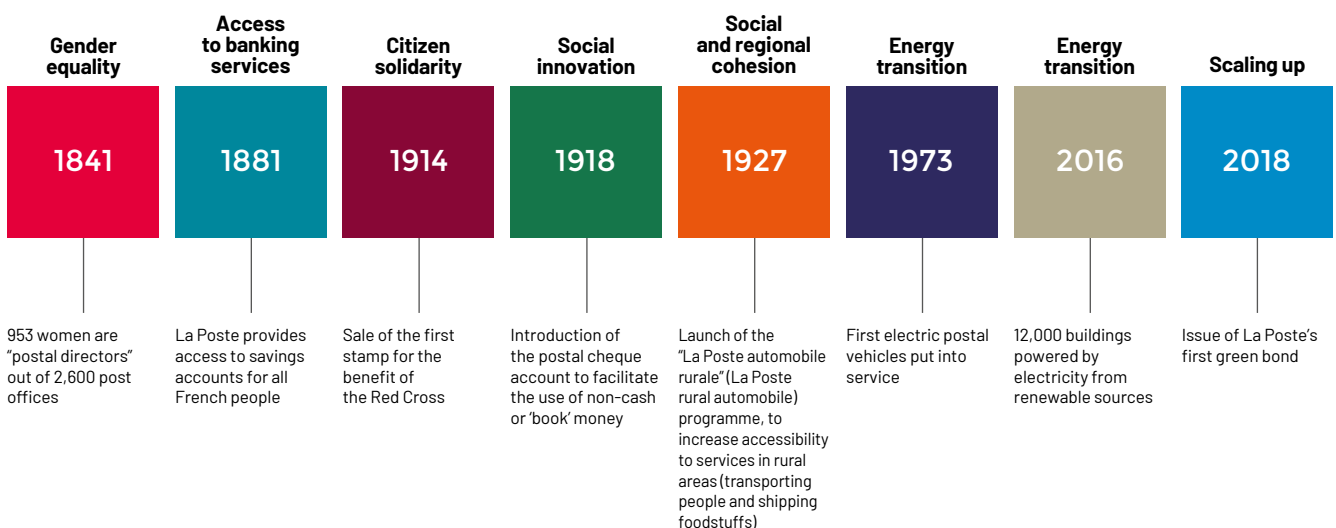
5.9.1.1 The result of Le Groupe La Poste's history and a reflection of its DNA

For more than 500 years, Le Groupe La Poste has been supporting the evolution of society in order to bring the benefits of social progress and technical innovation to everyone, everywhere and every day. It has always been at the service of all stakeholders in

French society (private individuals, businesses, associations, local authorities, etc.).

As a pioneer in many domains, La Poste has a long history of integrating its societal commitments into its core activities. La Poste offered access to banking services in 1881, created a collaborative financing programme to benefit the Red Cross in 1914 in a context of a world war, and developed its first electric vehicle fleet in 1973, during the first major oil shock.

Societal commitment in La Poste's history



Moreover, the four public service missions entrusted to La Poste by the French State have anchored its contribution to the interests of the general public. These four missions – the universal postal service, press transport and delivery, contributing to regional planning and development, and banking accessibility (see Section 5.8.2) – are fully integrated into the Group's business and strategy.

As part of its mission to serve French society, Le Groupe La Poste is implementing a development strategy driven by the waves of growth that are moving through society. Some of these trends directly concern it: the explosion of e-commerce (3.5x between 2014 and 2021), the rise of urban logistics (2.3x in ten years), the

modernisation of public service activities (target of 100% digitised public services by 2022), the need for trusted third parties to protect data and privacy (entry into force of the European Data Protection Regulation in May 2018), the emergence of the Silver economy (with one million French people over the age of 90 in 2024), the imperative of making a global energy transition, and the constant tightening of banking regulations.

These trends, all of which offer growth opportunities, are directly connected to societal issues that the Group has identified for several years now as being of fundamental importance for it or for its ability to play a transforming role.

5.9.1.2 Driver of growth and transformation of the Group and society

Listening to stakeholders and identifying major issues for Le Groupe La Poste has made it possible to determine its four priority areas of action, and to define the related policies:

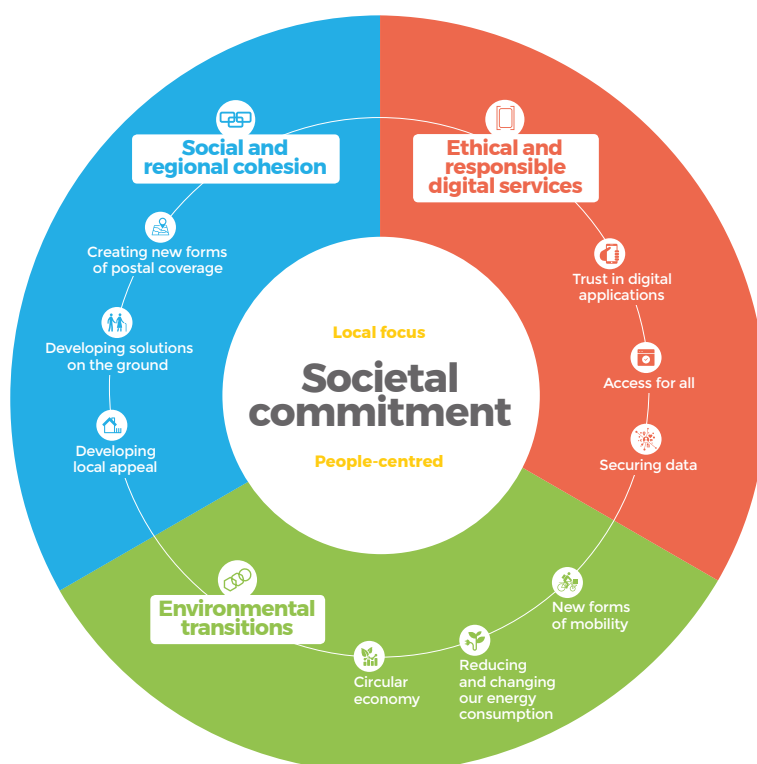
- **Governance policy:** The Group strives to establish a robust and ethical governance policy, one that demonstrates transparency in its practices and that is open to dialogue. The Group's bodies are instrumental to carrying forward this strategy and take care to act in the interest of all stakeholders.
- **Human resources policy:** The Group's expansion strategy is based on the wealth and diversity of its employees, who are its driving force and ambassadors. They must therefore be the primary beneficiaries of the change: La Poste's employee policy is one of the essential drivers of its transformation.
- **Customer service commitment:** Le Groupe La Poste strives to simplify the lives of its customers: throughout France, La Poste employees bring human presence, support and advice to all. They are therefore the first to witness changes in consumer habits. These changes also call forth an in-depth reflection on the responses needed to meet these new demands. The quality of the relationship between employees and customers is analysed ever more closely, in order to design products and services relevant to both.

- **Societal commitment policy:** The three pillars of the societal commitment policy are the areas of societal transformation in which Le Groupe La Poste has the greatest potential to create value:

- **social and regional cohesion** (see Section 5.9.3): for the Group this means optimising its modes of coverage and services throughout France, in consultation with elected officials, engaging with stakeholders on local initiatives, and stimulating local communities and all of their inhabitants, from the most enterprising to the most fragile;
- **the arrival of ethical and responsible digital services** (see details in 5.9.4): the Group aims to help its customers to appropriate the new digital tools and to make them a driver of social inclusion;
- **environmental transitions** (see details in 5.9.5): the Group intends to modify its tools, its processes and its behaviours to consume better and use less energy and resources in order to reduce its environmental impacts (GHG, atmospheric pollutants, city congestion, etc).

For their deployment, the Group relies on the know-how that it has developed during its many years of search for exemplarity in its activities.

The diagram below shows, for each pillar of the societal commitment policy, the societal challenges it addresses and the products and services that Le Groupe La Poste is developing in this direction.



Three levels of commitment allow the Group to implement a continuous improvement process:

- compliance, i.e. apply regulations and anticipate future changes;
- example-setting, i.e. lead the way in developing and implementing virtuous practices that position the Group as a leader in the field;
- bringing about change by uniting stakeholders in the ecosystem to build a more sustainable society.

As the leading provider of proximity services, Le Groupe La Poste's ambition is to help create products and services that are useful for everyone and in line with the Group's values. Through these offers, the Group aims to simplify life for everyone, while at the same time strengthening bonds between citizens. To meet the needs of communities, La Poste, as a natural partner of local authorities, offers solutions in multiple domains of expertise, from relations with citizens, local services, quality of life and energy transition to the internal transformation of communities.

5.9.1.3 An approach backed by the international reference framework and recognised by non-financial rating agencies

Since 2003, Le Groupe La Poste has been a signatory to the United Nations Global Compact and publishes an annual communication on its progress at the advanced⁽¹⁾ level. Since 2016, the Group's contribution to the sustainable development goals (SDGs) established in 2016 by the UN⁽²⁾ is integrated into this publication.

The Group publishes a corporate social responsibility (CSR) report in which it outlines its main commitments. This report follows the latest version of the guidelines of the Global Reporting Initiative (GRI standard).

The Group includes information on the social and environmental consequences of its activity in its registration document and its management report in compliance with the requirements of the French Grenelle 2 law and the non-financial performance declaration required by Decree No. 2017-1265 of 9 August 2017 made in application of Order No. 2017-1180 of 19 July 2017 relating to the publication of non-financial information (see Appendix 1).

Since 2009, the Group has had its non-financial indicators verified by an independent third party (see Appendix 1). It is gradually extending the scope of the indicators published, and is aiming to provide data for all indicators at Group level.

The latest non-financial ratings show an improvement across all the Group's ratings.

In 2018, EcoVadis ranked La Poste at the Gold level with an overall score of 78 (+5 points compared to the previous rating).

Since January 2019, Le Groupe La Poste is among the 126 leading companies in terms of environmental performance. Only 22 French companies are rated A by CDP out of a total of approximately 7,000 companies rated worldwide by this independent rating agency. Number one in the "Transport Services" sector, La Poste is the only postal operator in the world with an A rating.

As a reminder, La Poste has also received the following ratings:

- Vigeo awarded La Poste a rating of 72 (on a 100-point scale), placing it at the top of the list of companies in the logistics and transport sector;
- Oekom rated La Poste at C+ prime level, thereby putting it in first place in its sector;
- Sustainalytics gave it a rating of 74, with "leader" status, for a ranking of 4th place out of a panel of 162 companies in the sector.

5.9.1.4 A policy nourished by dialogue with stakeholders

A renewed dialogue

In 2018, Le Groupe La Poste wanted to re-examine the stakeholders with whom it maintains a structured dialogue. Taking inspiration from the ISO 26000 standard and the Global Reporting Initiative (GRI) guidelines, the Group identified six categories and nineteen subcategories of stakeholders involved in its activities. With the objective of updating the materiality matrix of the Group's CSR issues, work was carried out to inventory the modalities of dialogue for each category of stakeholders:

- redefining the relative weighting of stakeholders;
- state of play of existing levels of dialogue with stakeholders;
- definition of the consulting procedure for each subcategory.

The update of the materiality matrix is planned for the year 2019.

(1) The annual GC Advanced Communication on Progress in implementing the 10 principles of the Global Compact consists of detailed disclosures on 21 criteria.

(2) The SDGs include 17 sustainable development goals for the 2015-2030 period that 193 UN member countries defined in 2016.

Stakeholder expectations

The table below summarises the main expectations expressed by stakeholders:

Type of direct stakeholder	Main expectations identified
French State	• Respect of commitments with the French State (regulatory compliance and public service obligation) • Customer satisfaction and adaptation to consumer expectations
Shareholders	• Financial performance and sustainability of the business model (long-term value creation) • Managing risks that may affect the Company's reputation
Customers and consumer organisations	• Being listened to, taken into account, receiving a personalised response on the first request and real-time tracking of communications • Have an innovative offer adapted to different needs • Data protection and confidentiality • Easy, quick and intuitive access to services
Employees and their representatives	• Quality jobs and working conditions (health, safety, quality of life at work) • Involvement in changes within the Company and in CSR initiatives • Boosting employability and supporting professional projects
Local elected officials, authorities	• Strong presence in their region, including in underprivileged areas. Involvement in local projects that promote sustainable development (climate plan, regional climate air energy plan SRCAE, city policy, and rural development) • Providing input on policies for employing marginalised individuals • Support in modernising public action
Suppliers and sub-contractors	• Long-term economic partnership <i>with ad hoc</i> solutions to propose innovation • Compliance with contractual commitments and payment deadlines • Conditions of access to fair markets, choice criteria on the part of Le Groupe La Poste, not only in terms of prices but also of the CSR criteria
Other companies and groups	• Discussions on shared practices, tools, positions or commitments • Respecting fair competition rules
Charitable organisations (NGOs or other non-profit organisations)	• Transparency of practices and communications • Contribution by the Group to progress on sustainable development and national and local solidarity initiatives
Multi-stakeholder organisations	• Request for dialogue with the Group, information and feedback pertaining to the commitments made • Request for participation in public interest work, making commitments relating to the sustainable development topics

5.9.1.5 A policy that contributes to the UN's sustainable development goals

Le Groupe La Poste's CSR policy is anchored in the belief that successful companies must combine business performance and societal performance. The collective work of UN member states, resulting in the publication of the sustainable development goals (SDG), provides common definitions in terms of societal performance.

The Group is working to make its contribution to 14 of the 17 goals set out in the 2030 Agenda: 1, 3, 4, 5, 7, 8, 9, 10, 11, 12, 13, 15, 16 and 17.



5.9.1.6 Focusing its policy on material issues

Le Groupe La Poste has determined its 20 priority areas for action based on the ISO 26000 and GRI guidelines and on stakeholders' expectations to carry out a materiality analysis initiated in 2014 and updated in 2016.

Le Groupe La Poste's priority areas regarding social responsibility:

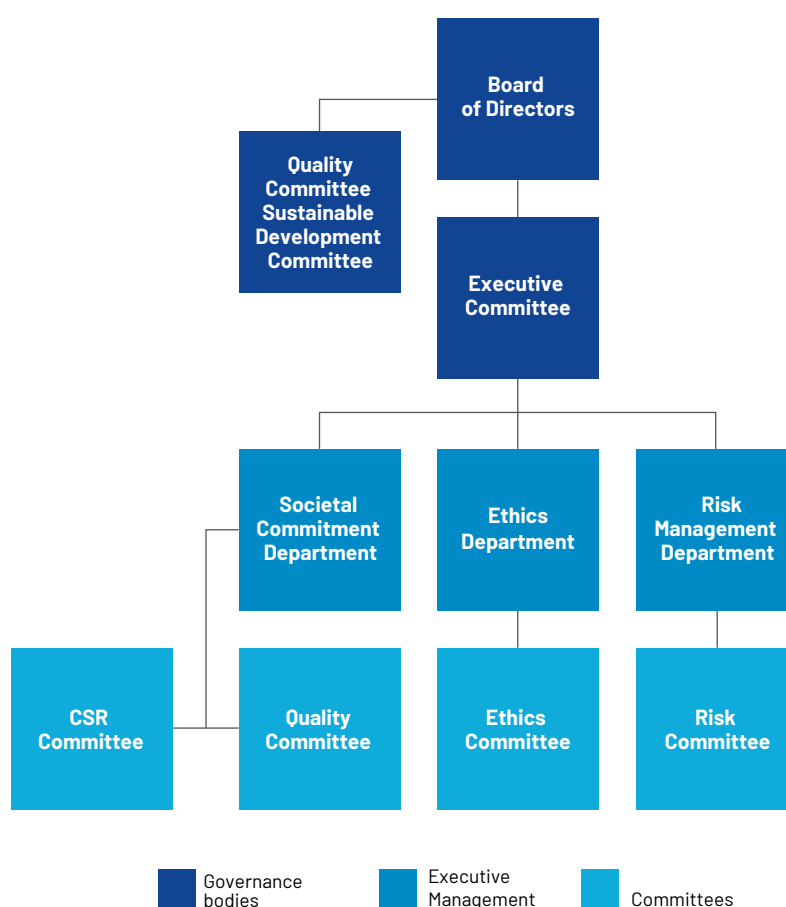
Communities/social and regional cohesion	Environment/environmental transitions	Responsible and ethical digital services	Customers/customer satisfaction	Employees/HR	Governance
Regional planning (SDG 11)	Energy (SDG 7 and 9)	Safety and security of property, people and data (SDG 3 and 12)	Responsible offering (SDG 12)	Professional development (SDG 8)	Business ethics (SDG 16)
Social inclusion and solidarity (SDG 1, 4 and 10)	Climate (SDG 13)	Adaptation of products and services to new consumer trends and behaviours/Digital inclusion (SDG 12)	Responsible customer relations (SDG 12)	Working conditions, occupational health and safety (SDG 3 and 8)	Decision-making structure
Local economic development (SDG 8)	Air quality and living conditions (SDG 15)	Responsible data use/ethical digital services (SDG 12)		Quality of life at work and labour relations (SDG 8)	Transparent decision-making process
Responsible purchasing (SDG 8)	Circular economy and resource management (SDG 12 and 15)			Human rights and diversity management (SDG 5 and 8)	

5.9.2 CSR GOVERNANCE PRACTICES OF THE GROUP

The Group governs its social responsibility by committing to shared values, establishing a dedicated CSR structure, upholding principles of business ethics and conduct applicable to its operations, and measuring and monitoring initiatives to confirm that real progress is being made.

5.9.2.1 Organisation of the CSR governance

The CSR governance, which has been in place within the Group for more than 13 years, is a factor of the successful inclusion of corporate social responsibility in the Group's strategy, initiatives and management.



At the highest level, the Board of Directors' Quality and Sustainable Development Committee (CQDD), reviews strategic directions and tracks accomplishments. The Committee's work is reviewed by the Board of Directors three times per year. The Committee's main responsibilities are to:

- assess the customer satisfaction survey for Le Groupe La Poste;
- analyse the quality of service provided to the customers of Le Groupe La Poste;
- review best practices in the services provided to the customers of Le Groupe La Poste;
- review best practices in terms of sustainable development and corporate social responsibility.

Le Groupe La Poste's General Secretary acts as the CSR officer for the Executive Committee. He or she provides an update each year to the Executive Committee on the progress made by the CSR initiatives taken across the Group.

In support of the business units, and in collaboration with them within the framework of the CSR Committee, the Societal Commitment Department defines and proposes the Group's policy to the Executive Committee, which validates it. This procedure is carried out with the business units, the first-level subsidiaries, and the main functional departments. The CSR Committee also examines the commitments made by each business unit and the Group's management, ensures their consistency and reviews the Group's performance evaluation.

The Quality and Sustainable Development Committee reviews the strategic orientations proposed by the Societal Commitment Department and monitors the implementation of the CSR policies.

The Ethics Committee chaired by the Group's General Secretary is responsible for managing the Group's ethics approach. It brings together the Group's ethics officer and its representatives in the first-level subsidiaries, the Group's Human Resources Department and the Head of Societal Commitment. In addition to the network of ethics officers, anti-corruption and competition officers have been appointed at the operational levels.

In terms of expertise and operational proficiency, the Group has around 40 CSR professionals spread out between the Group parent company, the business units and the first-level subsidiaries. These professionals deploy the defined CSR policy with the assistance of a network of officers which they train and lead.

5.9.2.2 La Poste employees commitment measures in the corporate social responsibility policy

Several levers are used to involve the employees in CSR:

- CSR objectives are included in the performance evaluation criteria and compensation, with in particular:
 - integration of a CSR criterion in employee incentive-based pay at La Poste and at La Banque Postale,
 - action by members of the Executive Committee and senior executives in particular on a composite indicator covering a range of non-financial ratings,
 - integrating objectives relating to quality of life at work in the individual performance management process. Achievement of these indicators carries a one-third weighting in the individual variable component of employees' remuneration. Furthermore, CSR objectives other than quality of life at work are set for managers as soon as their roles lend themselves;
- training:
 - the business units put into place additional training specific to CSR,

- the Institute of Management (the Group's in-house manager training body) provides an e-learning module on the Group's CSR policy, as well as training on value creation,
- all newly-appointed upper management attend a day of training on CSR and diversity. The content of these training sessions is updated every year;
- involvement of CSR in the professional practice of every employee, including:
 - advocating for involvement by highlighting internal or external best practice and celebrating awards, seals or certifications obtained,
 - collaborative innovation, practised in the Group for 20 years at all levels of the organisation,
 - providing regular information through diverse internal communication channels and making tools available to make their daily implementation easier.

5.9.2.3 Ethics and professional conduct framework

Since 2011, the Head of Ethics and Professional Conduct reports to the Group's General Secretary, a member of the Executive Committee.

The ethics programme is backed by a set of guidelines:

- the Group's ethics guidelines, appended to the internal rules of procedure. It specifies all of the individual and collective rules of conduct. These guidelines have been adapted by La Banque Postale and the Network and have been translated and adapted by GeoPost in English and Spanish;
- the Representation of Interests Charter;
- the guide to ethics for elected employees and their managers;
- the anti-corruption code of conduct guides employees in potentially risky situations;
- the gifts and hospitality policy and guidelines, which detail the principles to be applied in terms of corruption or facilitation payments.

In 2018, the framework documents on ethics and professional conduct were consolidated into a single document entitled "Ethics and anti-corruption code of conduct" to improve clarity. The oath-taking was also extended to include electronic personal data in the confidentiality of correspondence, in accordance with European regulations. Furthermore, the principles of due diligence were incorporated into the Group's Responsible and Ethical Purchasing Charter and in the letter of commitment of the ethics officers to set up the system for preventing corruption and managing alerts. Lastly, an ethics code for prescribers was deployed by the Group Purchasing Department in October 2018.

5.9.2.4 Anti-corruption programme

See the Le Groupe La Poste statement on non-financial performance in Appendix 1.

5.9.2.5 Early warning system

A whistle-blowing system has been in place since 2011, which allows the reporting of ethics violations or incidents contrary to the recommendations of the ethics guidelines or the anti-corruption code. This whistle-blowing system makes it possible to send secure emails directly to the Group's ethics officer or to the ethics officers of the business units or subsidiaries. A specific e-mail address for stakeholders (suppliers, service providers and subcontractors) has been in place since November 2018.

Work is underway to further secure this system. In compliance with the legal obligations imposed by the General Data Protection Regulation (GDPR), the French Sapin II and Potier laws, the Group is considering a "full web" system, accessible 24/7, for employees, suppliers and subcontractors.

An Alerts Committee handles the most complex reports. For this purpose, it brings together the experts from the various sectors concerned.

5.9.2.6 Respecting fair competition rules

Le Groupe La Poste has a competition compliance programme that covers virtually all of the Group's activities in France, namely the Group's headquarters and the "Services-Mail-Parcels", "Digital

Services", "Network" and "GeoPost" business units, as well as their main subsidiaries. Competition compliance actions have also been implemented by the other Group subsidiaries (notably La Banque Postale, Poste Immo and Véhiposte).

The competition compliance programme was reinforced in 2015 and 2017 and includes all the measures detailed below:

- Le Groupe La Poste, through its Chairman and Chief Executive Officer, General Secretary, and Executive Vice Presidents, has formally reaffirmed its commitment to comply with the competition rules to the French Competition Authority;
- the governance of the programme is ensured by La Poste Legal Solutions, the Audit Committee of the Board of Directors, the Executive Committee, the Group Risk Committee;
- Le Groupe La Poste has also raised awareness among its employees about the respect of competition law through the dissemination of documentation (competition guidelines updated in 2017 and competition code of conduct) and through employee training sessions;
- a competition compliance programme is part of the internal control framework;
- an internal audit was conducted in early 2018 to assess the maturity of the programme's deployment;
- an annual report listing the actions taken by Le Groupe La Poste under its competition compliance programme is sent to the Competition Authority.

At the end of 2018, this programme was fully deployed. The Group will ensure that the programme is maintained over the coming years to effectively protect itself and its employees from competition law risks.

5.9.3 SOCIAL AND REGIONAL COHESION

Its history and its public service missions have made La Poste a privileged partner of the French regions. While the form of its presence can be expected to evolve over time, the principle underlying it remains inviolable. It implies close contact with economic stakeholders, detailed knowledge of local dynamics and attention to the changing needs of citizens, from the most fragile to the most enterprising. Consultation with elected officials, which

is part of a tripartite contract with the French State and the French Mayors' Association (AMF), is carried out within the framework of the Departmental Commissions of local postal coverage (CDPPT); this permanent dialogue with elected representatives, in which La Poste provides proposals, and the triennial character of this agreement guarantee a continuous response to the changes in needs.

5.9.3.1 Key objectives and results to date

Material aspect	Goals for 2020	Progress as at 31/12/2018
Regional planning	- For 90% of the population to be less than 5 km or less than 20 minutes by car from a La Poste retail outlet - Increase postal coverage methods - Roll out 500 public service areas	95.7% of the population 17,238⁽¹⁾ La Poste retail outlets 503 public service areas (504 in 2017 and 392 in 2016)
Responsible purchasing	Increase purchasing from the social and solidarity economy (SSE) Target: €20 million per year by 2020 (workforce reintegration + disabled and sheltered sector)	€14.3 million in purchases from the workforce reintegration sector and the disabled and sheltered sector
Adapt products and services to new consumption methods and uses	Respond to major societal challenges (ageing population, isolation and regional inequalities) by offering new services	- New services: €115 million (€83.5 million in 2017) 835,324 written driving licence tests taken at La Poste (768,604 in 2017)

5.9.3.2 Current action plans

Compliance

The Group implements its commitments under the Public Service Agreement in terms of regional planning under its public service mission (see Section 5.8).

Thanks to its different forms of postal coverage in urban and rural areas, La Poste develops, in accordance with its regional planning mission, a local network, thereby contributing to the vitality of social interactions and the dynamism of local life (see Section 5.5).

This presence is complemented by the network of postmen, who visit the homes of all inhabitants six days out of seven, and the sites of companies to whom they offer services through their mobile digital tool Facticeo, and the www.laposte.fr website which allows permanent access to all of the Group's offers anywhere in France.

La Poste is also active in its support of regional life, thanks in particular to the Group's regional delegations, which help, in connection with the operating departments, maintain relations with the institutional and socioeconomic environment. La Poste employees are thus present in numerous associations of companies involved in regional activities (FACE Clubs, regional offices of "Les Entreprises Pour La Cité", associations of companies involved in sustainable development, etc.) and in the Chambers of Commerce and Industry: 29 Group representatives are elected members of territorial CCIs and 8 are elected in regional CCIs.

Exemplarity

The purchases made by the Group represent close to 100,000 jobs throughout mainland France and the overseas departments. Furthermore, in support of local and regional economic development, Le Groupe La Poste is developing a responsible local purchasing policy, which notably includes the development of purchases from micro-businesses and SMEs (80% of the Group's suppliers) and from companies in the disabled and sheltered sector and in the workforce reintegration sector (SIAE) (€7.6 million in purchases in 2018).

La Poste is particularly involved in a comprehensive policy to support the integration and employment of young people. As an employer, La Poste has set ambitious targets of hiring 4,000 work-study students per year between 2016 and 2018. It has largely exceeded these objectives after having recruited 5,800 students in 2016, 7,000 in 2017 and 4,902 in 2018, making it one of the leading recruiters of work-study students in France. Work-study students represents one third of La Poste's hirings. Almost 60% of employees recruited on permanent contracts are under the age of 30, according to the Generation Agreement (i.e. at least 3,000 hires of young people on permanent contracts between 2016 and 2018).

Moreover, in a context of increasing financial vulnerabilities among citizens (3.6 million bank customers in financially vulnerable positions identified at the end of 2017 according to the French *Observatoire de l'Inclusion Bancaire*, including 1.6 million La Banque Postale customers), La Banque Postale, because of its social commitment and its values as a bank that works in the best interest of the community at large, is particularly attentive to its *vulnérable clientèle*. This particular attention can be seen:

- in the daily reception in its offices and remotely via the telephone platform dedicated to budget advice, L'Appui;
- as well as *via* associative partnerships: La Banque Postale has managed since 2012 the Club to Reduce Banking Exclusion, which brings together the main associations supporting social action and financial solidarity (Emmaus, Restos du Cœur, Croesus for the prevention of over-indebtedness, Créa-Sol for micro-finance, etc.).

Driving change

Responding to citizens' needs for access to local services, whether public or private, La Poste, thanks to its physical and human networks, is positioning itself as a partner to preserve or restore cohesion among the different regions of France and to remedy any possible fractures.

(1) Excluding the 26 special status retail outlets.

La Poste is mobilising its “production tools” in order that other actors of the regional ecosystem can benefit from them. Such is the case of the Public Service Areas, where La Poste not only carries out its activities but also hosts local public services actors (*Pôle Emploi*, family-benefits centres, etc.).

Attentive to the importance of “Living well near home” and to the new needs of an ageing population, La Poste is developing innovative and differentiated solutions, particularly for seniors and isolated people. This is the case of the “Watch Over My Parents” service, which makes it possible to keep seniors in their homes longer while reassuring their caregivers about their well-being (see Section 5.2).

Taking into account the fact that driving is a differentiating factor for access to employment for a large part of the population, especially outside of cities, La Poste is responding to the challenges of modernising public service activities in the territories

through the French written driver’s licence exam, thanks to the establishment of 549 exam centres.

Finally, in 2014 La Poste created the Dynamic Alliance, a cooperative approach with social and solidarity-based economy (SSE) actors: having deep roots in local communities, the SSE can carry out innovative experiments in the field of social action. The fifty or so national SSE networks signatories to the Dynamic Alliance Charter pool their resources to create new responses to the needs of local communities. The Group provides its support through, for instance, its purchases in the Social and Solidarity Economy (SSE) sector or the provision of its premises or employees in skills volunteering programmes. The Group also develops a collaborative approach to jointly with SSE actors provide answers to societal needs: solidarity-based multi-function venues, new local business models (*Comptoirs de campagne*), digital inclusion actions in post offices (*Emmaüs Connect*), meal delivery to elderly people in nursing homes, in particular with the SOS association, etc.

5.9.4 ETHICAL AND RESPONSIBLE DIGITAL SERVICES

Digital technology creates major challenges not only in terms of data processing and protection, but also in terms of inclusion. This factor is all the more significant because, beyond offering digital access to services (online banking, online postage, etc.), the Group also acts as a digital services operator and a trusted third party (electronic signature, digital identity, electronic safes, etc.).

La Poste’s objective is to help everyone to act autonomously and with confidence in the digital world. Its activities in this area will therefore focus on digital inclusion (ensuring the digital accessibility of the Group’s services to everyone, giving citizens who are not yet proficient in their use the opportunity to master the digital tools), and on securing digital resources (helping those who wish

to manage their documents and data to be able to do so easily and in complete trust).

5.9.4.1 Key objectives and results to date

“Digital mediation” entails enabling people to understand and use digital technologies, their issues and their applications, *i.e.* to develop the digital culture that will give everyone complete access to digital society. This also means knowing how to use digital technology in everyday life, at home, at work and in the community, to achieve personal and collective goals, and to extend each person’s knowledge and abilities in order to become truly self-reliant citizens.

Material aspect	Goals for 2020	Progress as at 31/12/2018
Employee training	Training in the protection of personal data (implementation of an e-learning module in 2018)	4,900 people trained in 2018, compared to 360 in 2017 100% of the managers trained in 2018
Equipment	- Factéo equipment for postmen - Equipment of the public services areas*: computers with Internet connection, printer, scanner available to customers	90,000 Factéo 100% of the 503 public service areas equipped
Safe offer	Promote Digiposte+ (assistant coupled with a digital safe)	3 million Digiposte+ used

* Public service area (multi-partner service point).

Compliance

Work to implement the General Data Protection Regulation⁽¹⁾ (GDPR) started in 2016 and continued in 2018.

The Group has begun a compliance analysis for personal data processing (employees and customers) and has created a compliance action plan. It includes:

- an IT component, including privacy by design and compliance of existing applications;
- an organisational component, with the setting up of a “data protection” organisation within the Group, including a shared Data Protection Officer (DPO) and Deputy DPOs;
- a legal component, including the updating of the information statements and contracts of the subcontractors in compliance with the GDPR;
- an awareness-raising component on compliance with the data protection regulations.

Exemplarity

Adopted in 2016, pioneering in its approach, before the work leading up to the GDPR, the Group’s Data Charter helped launch the movement towards transparency and ethics in the processing of data for all customers. Furthermore, all La Poste employees take an oath to protect the integrity of the digital data entrusted to their care. This solemn individual commitment, which was added in 2014 to the traditional oath to respect the correspondence and entrusted sums, considerably strengthens the Company’s commitment in the context of its Data Charter.

The Data Charter and the oath are part of the system developed by Le Groupe La Poste to guarantee its customers the secure and responsible use of their data. In order to democratise and share knowledge in a domain that might appear highly technical, a detailed

guide explains and illustrates the Charter to allow all employees to understand the commitments and use. This introduction concerns all technical players as well as all postal employees: 100% of the managers in 2018.

La Poste is also attentive to the accessibility of its websites for disabled people and La Banque Postale’s services are accessible remotely in sign language.

Finally, as part of the support that La Poste provides to local communities to improve relations with citizens, all of the proposed digital services guarantee the confidentiality of data.

Driving change

La Poste is committed to promoting digital inclusion, through a number of partnership actions such as:

- mediation in the public service areas: carried out by La Poste customer service managers for partner operators, primarily in rural areas (503 public service areas). All concerned La Poste employees have received training in partner operations as well as in digital mediation, carried out by Adrets, a member of the MedNum cooperative specialising in rural and mountain areas;
- mediation in post offices as part of La Banque Postale’s digital banking inclusion plan: the aim is to deploy this support in 1,000 offices by the end of 2020, drawing on national partners such as FACE and the Union of Social services information centres (PIMMS) and local mediation partners;
- home contact via postmen working as mediation agents between private individuals in their homes and large public operators, such as the French Family Allowance Fund (CAF).

Finally, La Poste offers “digital keychains” including a digital identity certified “France Connect”, and a free digital safe, accessible to everyone in any place. This service allows private individuals to simplify their activities with public authorities and businesses and allows public operators to interact with them.

(1) *GDPR (General Data Protection Regulation): European Regulation on personal data protection, published in 2016 and entered into force in the member states on 25 May 2018.*

5.9.5 ENVIRONMENTAL TRANSITIONS

La Poste has a longstanding commitment in the field of environmental transitions. It was an early adopter of a carbon neutrality programme starting in 2012 and has been an advocate of a circular economy for more than five years.

5.9.5.1 Energy transition

In its day-to-day activity, La Poste aims to reduce its greenhouse gas emissions, streamline its energy consumption, reduce wastage and recycle waste.

Key objectives and results to date

Goals for 2020	Progress as at 31/12/2018
Reduce La Poste's greenhouse gas (GHG) emissions from its operations by 20% compared to 2013	Decrease of 20% since 2013
Own one of the very first global fleets of electric vehicles, including 10,000 electric light utility vehicles	7,387 electric light utility vehicles owned, 14.8% of its fleet of light vehicles
Serve France's 15 major cities using systems with low levels of greenhouse gas emissions	15 cities mostly served by low-emissions systems
100% SRI banking offer in 2020	50% of ESG integration outstandings in the total outstandings managed by LBPAM
Supply 100% renewable energy by 2020 to the buildings managed by Poste Immo	All electrical use is covered as of 1st May 2016
New services for a low-carbon economy	€46 million in revenue pertaining to the energy transition
Reduction of nitrogen oxide (NOx) emissions by 30% and particulates by 50% between 2015 and 2020 on the light vehicles managed by Véhiposte	34% reduction of nitrogen oxide (NOx) emissions 45% reduction of particulate emissions

Current action plans

Compliance

La Poste is implementing the new schemes stipulated by law, whose requirements are steadily increasing, such as green leases, energy performance of service-sector buildings, energy audits, company mobility plans, etc. 2018 was also marked by the emergence of low emission zones, which were foreseen by the French law on mobility promotion and which require La Poste to constantly adapt its urban logistics models.

Exemplarity

La Poste is determined to lead by example in the area of carbon neutrality. Carbon neutrality is based on three drivers: the measurement of greenhouse gas (GHG) emissions, their reduction, and the offsetting of the remaining emissions.

The 2018 achievements have enabled the Group to make progress towards reaching the 2020 objectives:

- Le Groupe La Poste continued its work to build its carbon trajectory by 2025, in line with the *Science Based Target* and consistent with the Paris Agreement;
- Le Groupe La Poste launched eight self-consumption renewable energy experiments throughout France. In addition, the Group has been supplying, since 2016, all of its real estate portfolio (managed by Poste Immo) with renewable electricity;
- the Group is also committed to setting up an Energy Management System (EMS) aimed at continuously improving its energy performance, by addressing both the building and transport sectors;
- calls for tenders for the purchase of delivery services now include a questionnaire on the training of drivers in eco-driving, the establishment of a fuel consumption traceability system, the ability to propose a fleet of vehicles using alternatives to diesel

fuel (electric, natural gas, hydrogen), knowledge of regulatory developments (including restrictions on access to urban centres for diesel/gasoline vehicles), and specific actions considered by service providers to adapt to these evolutions;

- since 2015, Le Groupe La Poste has been measuring emissions of four air pollutants (excluding GHGs), including nitrogen oxide (NOx) and particulates. In 2018, the Group set reduction targets for 2020 (-30% for NOx and -50% for particulates as regards the light vehicles managed by Véhiposte).

Driving change

In regards to electric vehicles, Le Groupe La Poste has helped scale up their production thanks to its grouping of orders to manufacturers and to its role as a major purchaser of such vehicles. The Group is at the head of one of largest fleets of electric vehicles in the world.

La Poste actively contributes to the development of sustainable urban logistics throughout France by co-constructing innovative solutions with local authorities and economic actors. Through open partnerships, shared distribution centres and services (e.g. Grenoble) or multi-modal platforms (e.g. Toulouse), La Poste is continuing to ensure the transport of goods to city centres (collection and delivery) within the framework of sustainable models.

La Poste is continuing to develop and support diversified service offers that spread and promote best practices within society, such as the *Sobre* offer, an energy management service for commercial buildings used by companies, the public sector and local authorities; carpooling offer with its partner Klaxit; car sharing with the Mobility Tech Green solution; Action habitat, an offer to support local authorities in their actions promoting the renovations of private homes; La Banque Postale's green range, which includes green home improvement loans and loans to purchase low-emission vehicles, as well as for the insurance of this vehicle.

In their fight against fuel poverty, La Banque Postale and La Poste's Services-Mail-Parcels business unit, engaged in the energy transition, are stakeholders in the Charter of commitment in the fight against fuel poverty. Organised around 13 commitments to be implemented over a five-year period (2018-2022), the Charter aims to accelerate the dynamics of the *Habiter Mieux* programme, initiated by the French National Housing Agency (ANAH). It is organised around four lines of action:

- identify and inform households;
- wisely prescribe the works and public aid available;
- design and propose financing tools that supplement public aid;
- encourage energy renovation in co-ownership.

5.9.5.2 Circular economy

The consumption of natural resources has grown relentlessly over the last century, generating global concerns relayed notably by the United Nations Environment Programme (UNEP). With this in mind, La Poste aims to play a leading role in the transformation of production systems and to promote local consumption, reuse and recycling "loops".

Objectives and results to date

Material aspect	Goals for 2020	Progress as at 31/12/2018
Circular economy and resource management	• Develop offers promoting recycling and reuse • Develop the consumption of materials resulting from recycling and reuse	• €19 million in revenue in 2018 (€17.7 million in 2017)⁽¹⁾ • 85,000 tonnes of material (76,000 tonnes in 2017)⁽²⁾

(1) Recycling and Reuse activities.

(2) Metric tonnes of material sent for recycling or reuse.

Current action plans

Compliance

The Group complies with the new legal framework on corporate waste management (office waste, "5 flows", construction waste, food waste) and maintains its compliance with older regulations pertaining to the recycling of waste from electrical and electronic equipment.

Exemplarity

La Poste is progressing every day in the eco-design of its offerings, the reduction of its waste production (for example, by extending the life of equipment such as smartphones for postmen, thanks to better diagnostics and repair processes), the reuse of postal materials (vehicles, furniture, postal assets) and the pooling of existing resources (development of new shared spaces, especially for teleworking). The action plans for waste management go beyond mere compliance, as do those for the prevention and recovery of construction waste. Poste Immo has set itself the goal of recovering

85% of inert waste and 80% of non-hazardous non-inert waste on its sites by 2020.

The Group includes criteria on resources in its purchases, and aims to be a leader in the development of responsible paper policy, from the selection of papers from suppliers to recycling and changes in consumption.

Driving change

Le Groupe La Poste wishes to become a natural partner in the circular economy. La Poste is developing a reverse logistics offering to collect materials for reuse or recycling (paper, cardboard, office waste, coffee capsules, etc.).

These offerings, provided in particular under the Recygo brand, are intended for diffuse materials, notably within SMEs, VSEs and networked companies. In March 2018, La Poste and SUEZ announced the commercial launch of their joint venture, which specialises in the collection and recovery of office waste. Known as Recygo, this company aims to make waste sorting accessible

to all office buildings throughout France. The service offerings covers all forms of office waste, for all sizes of companies and local communities, to process waste both upstream and downstream. This service supports local authorities in complying with the "5 flow decree" and helps save resources while creating jobs that cannot be outsourced.

La Poste is testing a new offer in the Auvergne-Rhône-Alpes region, on behalf of the Ecosystem eco-organisation: the collection of mobile phones from private individuals. Thanks to an information sheet delivered by the postman, and to the collection capacity of the postal network, 100,000 households now have a simple solution to give their devices a second life.

Using the environmental transition principles it applies to its own organisation, Le Groupe La Poste is helping push forward the ecosystems of its customers *via* its service offerings and the broader ecosystem of its partners. In particular, it supports startups and social and solidarity-based economy actors *via* innovative mechanisms, such as the Paris&Co incubator and Le Groupe La Poste's *Élanceurs* competition.

5.9.6 EMPLOYEE POLICY, A KEY TO A SUCCESSFUL TRANSFORMATION

Key objectives and results to date

Material aspect	Goals for 2020	Progress as at 31/12/2018
Workplace relationships and quality of life	Steadily reduce the number and severity of work-related accidents	The work accident frequency rate was reduced by 7.8% in 2018, to 24.44 and the severity rate declined slightly
Development of human capital	- Provide training to 80% of La Poste employees every year, and to 100% over two years - Support 50,000 career paths per year between 2015 and 2020	- In 2018, 80.4% of employees received training and 9 employees out of 10 received training in 2017 and 2018 - With almost 37,000 qualifying training paths begun by the end of 2018, La Poste is slightly ahead of its target for 2020

In a rapidly changing environment, La Poste has decided to make every employee the actor and beneficiary of the Company's transformation. Quality of life at work is an essential policy for La Poste; it reflects its social responsibility vis-à-vis all La Poste employees. It reflects the attention that must be paid to the situation of each person in their professional sphere and to quality of life at work for everyone who works at the Company. Proper integration of all employees and equal opportunities ensure quality of life at work for everyone within the Company. The commitments made in the field of gender equality have been fulfilled, and major progress has been made as regards female representation within the Company and equal pay. Employees are encouraged to volunteer for employee organisations which improve access to employment,

and for cultural and educational charities. The La Poste Foundation, the La Poste Museum, partnerships with second-chance schools and the "Nos quartiers ont du talent" and "L'envol" initiatives are just some of the ways in which they can become involved (see Chapter 17).

The Group's international reach also requires special attention to be paid, in line with the wish to respect human and fundamental rights to a very high level. As part of the Group's vigilance plan (see Appendix 2), this requirement has been integrated into the corporate officers' letters of appointment, and extended to the Group's suppliers and service providers in compliance with its responsible purchasing policy.

5.9.7 COMMITMENT TO CUSTOMER SERVICE

In the spirit of the Group's intention to make life easier for customers, the customer relationship (from product or service design all the way to after-sales service and loyalty-building) has been a topic of intense discussion since 2016, to reshape what the term means, how it is managed and to measure value created for stakeholders and society.

To meet consumers' new expectations and changes in consumption patterns, the Group is focusing on offering innovative and responsible products and services that aim to increase social interaction and access to essential goods for everyone, everywhere, and every day. It involves maximising societal added value while minimising adverse impacts.

The action areas aim:

- to generalise the use of eco-socio-design (product and service design, selection of products used to carry out a service) while maintaining competitive prices. This continues to be rolled out across the business units;
- to help consumers and customers move towards responsible consumption by informing them of the impact of their consumption;
- to ensure that all products and services are accessible (from design to service provision as well as access to customer service) by focusing on how useful they are and ensuring that both prices and quality of service are competitive;
- to provide easily-accessible customer service to all customers so that they can receive fast responses to any potential problems and remain loyal customers. After the launch in 2017 of the Customer Experience Contract by the Services-Mail-Parcels business unit, 2018 was devoted to studying the differences between La Poste's commitments and how they are understood by its customers. In 2019, La Poste will strive to reformulate its commitments to ensure they are better understood by all;
- to have a relevant customer satisfaction measurement system in place that is simple and allows for continuous improvement;
- to improve the claims processing system and the introduction of a training programme for delivery stakeholders within the Group. A "short loop" project was also launched as a pilot programme in 2018 and will be extended in 2019: in the event of a service outage, the customer is put in touch with the local teams who are best able to restore the service within twenty-four hours.

5.10 Exceptional events

None.

5.11 Dependence on patents

None (see Chapter 8, Section 8.7.1).



SIMPLIFIED ORGANISATION CHART

06

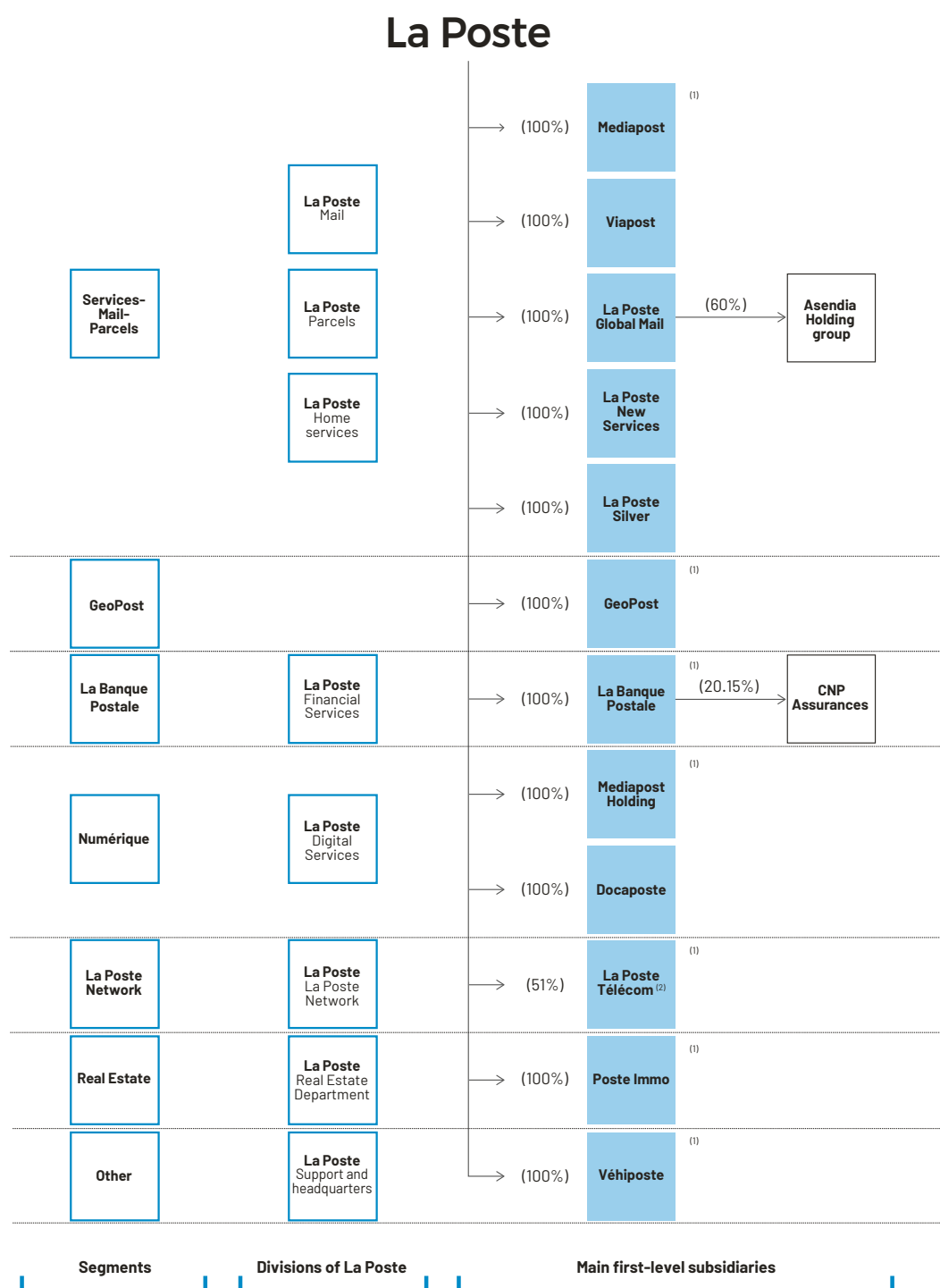
06 SIMPLIFIED ORGANISATION CHART

The Group is structured around the operating segments as described in Note 5 to the consolidated financial statements (income statement and main items of the balance sheet).

Almost all the operating segments comprise a division of La Poste and a first-level subsidiary, with each first-level subsidiary itself having several subsidiaries listed in Note 42 to the consolidated

financial statements. The business activities of the Group's main subsidiaries are presented in Chapter 5 ("Strategy and activities") of this registration document.

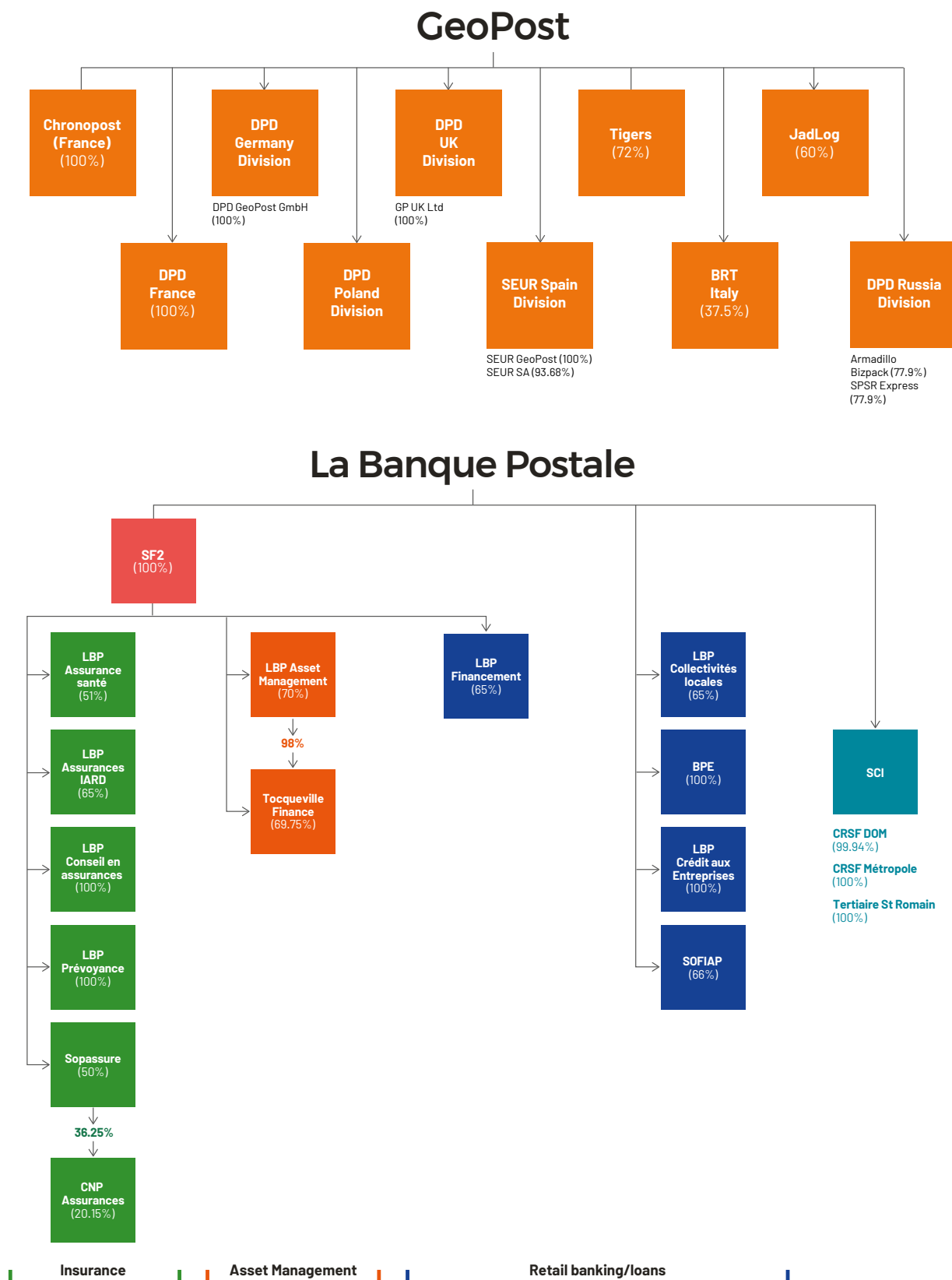
The Group's simplified organisational chart as at 31 December 2018 is presented below. The percentages mentioned for each entity correspond to the interest share in the capital.



(1) See details of each operating segment's subsidiaries in the scope of consolidation presented in Note 42 to the consolidated financial statements.

(2) Joint venture owned together with SFR.

The main second- or third-level subsidiaries in the GeoPost and La Banque Postale segments are as follows (with the Group's share of interest):



Intra-group relations

The main flows between La Poste and its subsidiaries are described in Note 6 to the parent company financial statements (See Chapter 20, Section 20.2).

As parent company of the Group, La Poste provides funding for the industrial and commercial activities and equity for La Banque Postale. As part of this policy of centralising the Group's financing, it received €172 million in interest corresponding primarily to loans, contributions and guarantees granted to subsidiaries, including interest income from La Banque Postale's undated subordinated notes (€64 million). In addition to the cash flows linked to this financing activity, La Poste received €479 million in dividends in 2018 (see Note 33 to the parent company financial statements).

Furthermore, La Poste has signed framework agreements, support agreements and service contracts (marketing, business process outsourcing, IT services, real estate services, finance, etc.) with some of its subsidiaries. Specifically, La Poste is the main service provider for La Banque Postale, which uses La Poste to run its front-office (La Poste Network post offices) and back-office (financial

centres) operations. La Banque Postale is also La Poste's main banker. The transactions carried out between the Group's fully consolidated companies and with the other related companies, as well as with joint ventures, are presented in detail in Note 35.2 to the consolidated financial statements.

La Poste signs cash flow agreements with most of its subsidiaries (excluding La Banque Postale) under the framework of established management rules.

A large majority of the Group's debt is held in La Poste's accounts. The Group's assets are detailed in Chapter 7.

The table below details the components of certain balance sheet items (non-current assets, financial debt, cash and cash equivalents), cash flows from business activities and the amount of dividends paid in 2018 and owed to the Company at 31 December 2018, broken down between the La Poste parent company and the main business units:

(in € million)	La Poste	La Banque Postale	GeoPost	Poste Immo	Other	Group
Non-current assets (including goodwill)	1,162	1,338	3,071	2,840	1,416	9,827
Financial debt, non-Group	6,008	-	149	-	71	6,229
Cash and cash equivalents in the balance sheet and other asset items included in the net debt	2,510	-	147	-	129	2,787
Cash flows from operating activities	239	3,880	399	169	149	4,836
Dividends received by La Poste*	-	344	130	4	1	-

* Excluding interest income received on La Banque Postale's undated subordinated notes (€64 million).



PROPERTY, PLANT AND EQUIPMENT

07

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7.1 The Group's assets

Net book value of non-current assets

The net book value of the Group's intangible assets (excluding goodwill) and property, plant and equipment amounted to €7,349 million at 31 December 2018, compared with €6,872 million at 31 December 2017.

The Group does not calculate the market values of its assets and liabilities. However, it carries out frequent impairment testing. The net book value of non-current assets by type and sector at 31 December 2018 can be presented as follows:

Net book value (in € million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Total
Intangible assets	368	180	629	157	7	15	2	1,359
Land and buildings	29	519	398	5	0	2,553	0	3,505
Machinery and equipment	241	268	50	11	34	0	5	610
Vehicles	18	41	0	(0)	0	0	435	493
Other property, plant and equipment	169	131	102	16	78	319	29	844
Assets under construction	78	194	16	2	1	238	7	536
TOTAL	903	1,333	1,195	192	122	3,125	478	7,349

The breakdown of the non-current assets by type can be found in Notes 16 and 17 to the consolidated financial statements and in Notes 9 and 10 to the parent company financial statements.

The Group's main assets include wholly-owned or rented property assets.

Other property, plant and equipment include vehicles, machinery and office fittings.

The Group's real estate assets correspond to a portfolio of 11,983 buildings with a total surface area of 10,547,000 square metres, of which 3,895,000 square metres are wholly owned. They are broken down as follows at 31 December 2018:

Group real estate assets by category

	Directly-owned properties		Rental properties	
	(number)	(in thousand sq.m)	(number)	(in thousand sq.m)
Mail-Parcel platforms	510	1,112	796	2,122
GeoPost platforms	16	177	136	480
Financial centres	46	266	8	28
Post offices	1,783	1,092	6,593	1,140
Administrative buildings	185	704	625	648
Other sites	271	544	1,014	2,233
TOTAL	2,811	3,895	9,172	6,652

Group real estate assets by geographic area

	Directly-owned properties		Rental properties	
	(number)	(in thousand sq.m)	(number)	(in thousand sq.m)
France	2,769	3,577	8,093	4,250
Europe	41	318	722	1,857
Other continents	1	-	357	545
TOTAL	2,811	3,895	9,172	6,652

The vast majority of the Group's real estate assets are managed by the Real Estate segment, which includes Poste Immo (wholly owned) and La Poste. The assets managed by the Group's Real Estate segment represented 3,422,000 square metres of floor space in directly-owned properties and 2,758,000 square metres of floor space in rental properties at end-December 2018.

Use of directly owned and rental real estate assets by business segment

	(in thousand sq.m)	(%)
Services-Mail-Parcels	3,950	37%
GeoPost	3,159	30%
La Banque Postale	418	4%
Digital Services	106	1%
La Poste Network	1,776	17%
Support/Structures	327	3%
External customers	175	2%
Vacant areas	636	6%
TOTAL	10,547	100%

The gross directly-owned vacancy rate⁽¹⁾ was 12.59% as at 31 December 2018. It represents 490,000 square metres, of which 181,000 square metres are in the process of being sold and approximately 189,000 square metres are undergoing renovation works or being demolished. The net vacancy rate⁽²⁾ of these areas is 3.09%.

7.2 Environment and sustainable development

This section is covered in Chapter 5, Section 5.9 "Social and environmental responsibility".

(1) Percentage of vacant directly owned-surface areas.

(2) Percentage of vacant directly owned-surface areas excluding areas that are up for sale or undergoing renovation works.



INNOVATION AND INTELLECTUAL PROPERTY

08

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Like other major European groups, La Poste is operating within the context of a worldwide digital revolution whose effects are becoming more pronounced in all its business lines. These powerful effects sometimes combine, sometimes contradict each other, throughout the countries in which the Group's business units operate:

- significant reduction in some types of traffic and uses such as mail and bank counters;
- continued boom in e-commerce and in the utilisation of all digital channels, particularly in retail banking;
- emergence of new competition (newcomers) in all business activities;
- new partnership possibilities and the conquest of new markets.

In view of these disruptions, combined with the intensification of technological advances (artificial intelligence and big data, blockchain, robotisation), the essential objective of innovation policies is to prioritise growth opportunities over the risk of value destruction and disintermediation.

As part of its own digital transformation, the Group aims to remain accessible to all populations and types of customers by providing local services and proximity in the daily lives of the French people. These are more valuable than ever in a digitised world constantly in need of trustworthy intermediaries.

Along with the modernisation of the business lines and the Group's development in business lines related to those of the business units (urban logistics, Silver economy), innovation presents development challenges through:

- the simplification and renewal of the customer experience: changes consistent with the immediacy and flexibility requirements that are becoming commonplace for all services;

- a significant openness to partners and to the ecosystem of innovation entities (regions, start-up, and innovative SMEs, organisations representing the digital economy and investors in particular);
- the transformation of business lines and professional cultures in order to incorporate best practice permitting the swift marketing of new solutions;
- strengthened efficiency of the process for the production/delivery of services.

From an organisational standpoint, innovation is supported by strong and sustainable choices:

- an essentially decentralised organisation model wherein the first initiatives and responses in terms of innovative solutions are provided per market and accordingly per business unit;
- cross-entities support for digital transformation provided by the Digital Services business unit and the Group: monitoring and forecasting, expertise for the La Poste e-commerce platform, customer data and knowledge, common approach of cross-entities concepts and technologies (e.g. platforms, voice commerce, AI, blockchain, etc.);
- a set of measures for promoting autonomy, employee initiative and extensive communication with external innovation players;
- the ability to share and to capitalise on best practice for value creation.

8.1 From planning to "time-to-market"

Ahead of innovation itself, the Group detects and analyses major changes in its environment, be they threats or opportunities, to ensure the resilience of mature business activities such as the development of new solutions for its customers. This work supports its strategic priorities and the creation of new services.

To remain relevant, this anticipatory work attempts to establish the planning time frame and the "time-to-market" within a period of three to five years.

- The forward looking approach: in conjunction with universities, and with the support of Futuribles⁽¹⁾ for example, it identifies the major challenges facing the Group, be they technological, environmental or social-societal. It is oriented toward the predictable long-term expectations of stakeholders: customers, regions and communities, partners, and Group employees whose jobs are also constantly evolving to respond to new requirements.

In 2018, a multi-disciplinary Prospective Committee was created thereby establishing an even greater Group focus on changes in its environment.

(1) *Futuribles is a think tank producing prospective studies.*

Presently not subject to a set schedule, this Committee involves Group executives – including the Strategy and Societal Commitment Departments – and makes it possible to engage in communications devoid of short-term business constraints with academics, intellectuals and artists, as well as individuals from the innovation ecosystem.

It also aims to detect any faint signals of any new types of consumption and lifestyles that may be relevant to a major services group.

In order to better anticipate these signals, the Group:

- has joined forces with other major companies which share this need to decode the future in order to improve their understanding of issues that are still uncertain by creating a club aiming to anticipate social trends and transformations,
- participates in certain think tanks⁽¹⁾ where innovators meet to share their transformative ideas; among them FING⁽²⁾ which is helping to anticipate possible futures.

- The detection of more immediate trends is ensured through several forms of monitoring with the primary objective of maintaining adequate market timing (“Time-to-market”);
- classic economic intelligence is focused on the initiatives of other postal services throughout the world as well as on competition by business activity and business line (in the broadest sense of classic long-standing competitors and newcomers originating from the digital economy) and on the expectations of the various stakeholders;
- a complete set of open innovation measures that maintains, for the Group and for the business units, a strong connection to the world of start-up and the digital ecosystem in particular. This is exemplified by, among other things, the equity interest held in the venture capital and private equity company Siparex-Xange⁽³⁾. This company provides an exceptional insight into technological trends, start-up investment and disruptive innovation on various high growth and/or digital transformation (e-commerce, e-health, logistics, etc.) markets.

8.2 Openness to the entrepreneurial ecosystem and the creation of partnerships

Acting to identify relevant innovations and incorporating them in our business models in the short to medium term entails espousing an “open innovation” rationale and working styles that promote cooperation between fledgling companies and major groups. Various tools are used to sustain and promote this overall approach and several types of collaborations are possible with the companies and the stakeholders uniting them:

- start-up: collaborations ranging from PoC (Proof of Concept test method for innovative solutions) to commercial partnerships, as

well as the purchasing of innovative services within a dedicated legal framework, and even acquisitions of an equity investment;

- ecosystems: use of capacities for calls for projects or initiatives, network and know-how capacities (hackathons, developer competitions).

8.2.1 PROVIDE SUPPORT THROUGH PROGRAMMES FOR THE PROMOTION OF INNOVATIVE COMPANIES

Driven by the Group's different business units, these initiatives aim to detect start-up whose value creation ideas are relevant. A few examples illustrate this point:

- “Time to test”: driven by the Services-Mail-Parcels business unit, this initiative pinpoints solutions to improve existing services or processes thanks to the solutions developed by start-ups;
- “French IoT”: driven by Docaposte and its partners, it facilitates the identification of solutions using the Internet of Things in all

sectors and for all types of customers, for services, e-health, smart cities and real estate;

- “Start’In Post”: driven by the Digital Services business unit serving the entire Group, this initiative permits the identification of innovations to be tested and the rapid acceleration of their implementation under real conditions in our business activities.

In addition, GeoPost develops, via its various national operational units, sectoral and geographical approaches (e.g. DPD UK with the Last Mile Labs incubator launched with the L Marks fund). La Banque Postale also initiates hackathons.

(1) Ecosystems geared towards identifying new uses.

(2) Fondation Internet Nouvelle Génération.

(3) SIPAREX: private equity firm in which La Poste holds a 10% stake.

8.2.2 ACTIVELY PARTICIPATE IN THE INITIATIVES – PRIVATE OR PUBLIC – PROMOTING THE ECOSYSTEM

Along with its partners who support the emergence and growth of innovative companies in the regions, Le Groupe La Poste contributes to the detection, listing and acceleration of innovative companies through:

- incubators: the Group is present within several Paris&Co incubators: Ville Durable: Economie Circulaire (Group) and Immobilier de demain (Poste Immo); Tech care: eHealth and

well-being (Docaposte) which has led to closer relations with Nouveal e-Santé;

- events: BigUp4Sup, a programme supported by La Poste with Orange, Cisco and CDC, facilitates cooperation between innovators and major groups within cities with the “La French tech” label.

8.2.3 INNOVATE WITH OTHER MAJOR SERVICE GROUPS

Innovation can also grow and prosper in the midst of cooperation with other large companies seeking to find new growth drivers. This is the reason, for example, for the alliance created with Suez to promote the circular economy, and more precisely the development of recycling, which resulted in the creation of the joint venture RECYGO in 2018.

8.3 Promote the innovation culture to the relevant employees

The Group considers its employees to be paramount to the transformation of its business models because they are in close contact with customers and have the desire to contribute new solutions. In keeping with the Group's strategic priorities, La Poste employees are developing autonomy and initiative, capacities whose promotion is crucial for the Group. Three types of programmes are being developed in this vein:

- participative innovation: in each business unit, employees can put forward ideas *via* dedicated platforms with regard to enhancing the customer experience, process optimisation, and creating additional services. Business line experts then validate proposals that are implemented and rolled out across the country;
- intrapreneurship: the *20 projects for 2020* programme launched in 2014 has two main goals. The first is to identify new business

activities and growth drivers. The equally important second goal is the propagation of a true company culture within the Group, one that can quickly respond to the needs, problems, or emerging desires of customers. Following several selection phases, the winning teams are assigned full-time to developing their proposal and proving the viability of their model, with the support of the Group entities impacted by the project;

- employee training: La Poste's digital transformation has given rise to the emergence of new business lines. To successfully complete this transformation, La Poste has notably had to develop skills in computer coding and web and mobile development. It has therefore chosen the Simplon school to train non-IT La Poste employees (postmen, counter clerks, support services) with IT inclinations and who wish to fill new occupations within the postal system.

8.4 Developing new services

Ultimately, the innovation processes must result, in the near future, in the creation of new services and/or an improvement in the customer experience by combining quality of service and sustainable business models. To this end, the Group is developing new internal expertise:

- taking into account contributions from design thinking: this methodology used by the teams (Services-Mail-Parcels business unit and Docaposte) permits the efficient validation of new propositions relevant to customer needs;
- development of digital interfaces: ensured by internal teams from the Digital Services business unit who specialise in the user experience;
- co-creation with individual customers via the *La Poste et vous* (La Poste and you) platform: through the “gamification” of consultations with customers and consumers, this initiative facilitates the conduct of more in-depth studies of the upstream marketing function and the detection of retail customers’ expectations.

Thanks to these processes, La Poste possesses a portfolio of innovative projects that involve start-up, employees and other strategic partners. A summary of the main innovative projects and their progress is presented to the Executive Committee at least once a year.

A few examples of projects:

- banks and financing: development of crowdfunding with the acquisition of KissKissBankBank and the partnership with WeShareBonds (investment in SMEs); launch in the spring of 2019 of Ma French Bank, the entirely mobile and digital bank of La Banque Postale;
- e-commerce: launch of “Pour de bon”, a food marketplace that facilitates direct ordering and delivery between producers and consumers, constructed with Webedia; La Poste now enables French micro-businesses and SMEs to access the Chinese Tmall Global market, Alibaba’s B2C marketplace reserved for foreign companies;
- urban logistics: development of a new urban logistics model “EVOL” with the creation of shared spaces within French cities aimed at reducing the environmental impact of the intra-urban movement of merchandise;
- local services: the *Veiller sur mes parents* offer, based on the network of postmen, allowing users to ensure the welfare of elderly people;
- Silver economy: with the acquisition of Asten, La Poste is positioning itself in at-home medical services and technologies to enable people to remain in their homes longer.

8.5 Optimise internal processes

Operational quality and simplified customer experience are the focus for all business units, which strive to achieve service excellence.

In addition to the industrial modernisation that has been ongoing for over ten years, the Group also incorporates into its existing

processes new technologies that result in greater perceived efficiency, reduce the environmental impact and produce a favourable change in customer relations in all interactions with Group entities.

8.6 Increase innovation visibility

In order to increase the impact of the initiatives both internally on our employees and externally, La Poste is developing its visibility thanks to its involvement in several key events:

- Vivatech: Exhibition dedicated to relations with start-up which enabled the Group to accommodate 58 start-up with which it has established relationships;
- CES⁽¹⁾ Las Vegas: The Group has taken part in this international salon in the last three years where it has showcased the innovations made by the business units and accommodated the 15 start-up identified as part of the French IOT Programme;
- the Lab Postal is an annual event involving employees and organised by Yellow Innovation, where the Group showcases countless innovative ideas and solutions, whatever their stage of development, with its ecosystem partners, obviously including start-up. Launched in 2016 within the Digital Services business unit, Yellow Innovation is Le Groupe La Poste's digital laboratory working across all business units. Its purpose is to imagine, test and develop digital innovation, tech and design projects.

8.7 Intellectual property policy

8.7.1 PATENTS

As service operators, the Group's business units mainly use patents and licences developed by partners and suppliers. The amount invested for research tax credits is not significant.

Le Groupe La Poste did not file any new patent in 2018.

Dependence on patents

The Group is not dependent upon any patent.

8.7.2 BRANDS

The Group's main brand is "Le Groupe La Poste", which has been registered in France and the European Union and is endorsed by all subsidiaries in their institutional and business communications. The Group has a portfolio of approximately 1,200 brands registered in France and around the world.

The Group has registered many other brands corresponding to the names of subsidiaries, products and services: 32 patent applications for Le Groupe La Poste (parent company and

subsidiaries excluding La Banque Postale), and 27 filings for La Banque Postale.

Lastly, constant care is taken to protect, defend and monitor the portfolio of brands and domain names to prevent any fraudulent or unauthorised use that could harm the Group's intangible assets and brand image: more than 66 new domain names were registered in 2018 (of which 30 for La Banque Postale).

(1) Consumer Electronics Show.



RISK MANAGEMENT

09

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9.1 Main risk factors

Le Groupe La Poste, like all economic agents, operates in an environment that involves certain risks. Readers should pay careful attention to the risk factors described below. One or more of these risk factors may have an adverse impact on the Group's business activities, financial position or operating results, especially if several of them materialise simultaneously. In addition, other risk factors that have not yet been identified, or that Le Groupe La Poste currently deems immaterial, could also have an adverse impact. Such risk factors could emerge if unexpected and large-scale exogenous events were to occur. Le Groupe La Poste's major risks are identified within the framework of an initiative led by the Group's Risk Department, drawing on work carried out at all levels of the Group (general management, business unit, division or subsidiary management, institution) aimed at defining risks to the sustainability and the strategic or operating effectiveness of each of them. The risk mapping and management plans resulting from this process are validated at the end of the process by the Executive Committee and then by the Audit Committee of the Board of Directors.

This chapter informs about the Group main risk factors and their criticality. They are divided into five categories. The first category includes risk factors upstream of and external to the Group, *i.e.* those related to its strategic environment, which inform the definition and updating of its strategy. The following four categories include downstream risk factors weighing on the implementation of La Poste's strategy:

- risk factors relating to the strategic environment, *i.e.* those that threaten the achievement of the objectives set for the Group as part of its corporate purpose, its public service missions and the expectations of its various stakeholders;
- risk factors related to the human, financial and industrial resources necessary for the smooth running of the Group and the implementation of its strategy;
- risk factors relating to the challenges of adapting its activities to stakeholder expectations, relating both to the quality of service

perceived by customers and the consideration of environmental and societal issues in the Group's development;

- risk factors relating to the implementation of growth drivers, whether they are already well-developed Group activities that offer bright prospects in terms of development or new activities requiring nurturing until they reach critical mass;
- major operational risks: often permanent and common to all of the Group's activities, they mainly concern safety/security and compliance issues. Their aggregation and/or intensity make them significant at Group level.

Financial risks excluding banking activities (credit, liquidity, interest rates, foreign exchange) and financial risks related to banking activities (structural risk factors, La Banque Postale's risk exposure, credit, liquidity, interest rates, market) are presented in the notes to the consolidated financial statements, in Note 32 and Note 33 respectively. Note that banking liabilities are managed separately by La Banque Postale in coordination with the Group. The Group's other financial liabilities consist mainly of bonds, negotiable debt securities and bank overdrafts, as described in the notes mentioned above.

For each of the five categories set out above, the tables below show:

- the main risk factors;
- their description;
- their potential impacts;
- the main mitigation measures implemented.

The risks are presented in descending order of impact.

STRATEGIC ENVIRONMENT

Main risk factors	Description	Potential impacts	Main mitigation measures
1. Decline in the volume of physical mail	Acceleration of the decline in the volume of physical mail due to the dematerialisation of exchanges and regulations fostering dematerialisation	• Difficulty in covering the costs of the universal postal service • Reduction in the operating result of the Services-Mail-Parcels business unit • Difficulty in organising production tools and preserving employment	• Marketing actions for registered mail and thinking on the new range of mail services • Development of local services, Silver economy services, and offers for professionals • Adaptation and synergy of mail-parcel processing and distribution networks
2. Consequences of interest rates on the Bank's results	Persistence of a low interest rate environment undermining deposit and lending activity in retail banking	• Sustained decline in the net interest margin and lower operating income at La Banque Postale • Reduction of La Banque Postale's capacity to strengthen its own funds by itself	• Development of activities less dependent on the absolute level of interest rates and greater customer penetration in the fields of wealth management, asset management, insurance, consumer loans and savings • Dynamic management of the Bank's balance sheet exposure by the ALM Committee • Price steering in the commercial bank
3. Competitive pressure in Express delivery	Difficulty in maintaining prices corresponding to the production costs of high value-added services, particularly in an environment marked by hiring difficulties	• Contrasting effects of selling prices vs production costs (prices held too low by certain market players vs rising labour costs) • Decline in GeoPost's operating profit	• Adjustment of the pricing policy, particularly in Germany • Reduction in delivery staff turnover • Organic and external growth • Launch of innovative and value-added solutions (delivery of fresh products and meals)
4. Transformation of the retail banking business model	Emergence of new players liable to take market share from "incumbents" in banking while offering a disintermediated relationship with customers	• Loss of market share for La Banque Postale, particularly through the non-renewal of the customer base • Loss of contact with individual customers • Difficulty in bearing the fixed costs of a large local bank with a highly regulated activity	• Development of partnerships with Fintech (KissKissBankBank, organisation of La Banque Postale's Artificial Intelligence hackathon) and AssurTech players • Improvement of the attractiveness of the omnichannel bank • Launch of a fully digital bank

RESOURCES

Main risk factors	Description	Potential impacts	Main mitigation measures
5. Industrial and operating resources	Inadequate, overdue or ineffective restructuring of the Group's major operational networks (general public retail outlets, mail and parcel processing and delivery platforms, banking infrastructure)	● Difficulty in reducing excessively high fixed costs ● Inability to match new customer consumption patterns ● Loss of bearings among Group employees	● Transformation of the physical network (new post office formats, diversification of formats, pooling) ● Implementation of a new industrial structure transforming mail platforms into multi-stream platforms ● Increasing awareness among managers about results-driven management
6. Financial resources	Difficulty in financing the reorientation of the Group's business model and the development of its new business lines	● Difficulty in ensuring the sustainable growth of the Group and its various business units ● Difficulty in financing a policy of development and modernisation of the production tools ● Difficulty in continuing the successful execution of the public service missions ● Difficulty in providing a reasonable return to shareholders	● Development of operating synergies between the business units (merging of accounting systems, single sales management) ● Launch of an optimisation approach for the support functions in the service of customers ● Management of the internal investments ● Development of growth drivers that contribute sufficiently to margins
7. Prudential capital in banking	Difficulty in meeting the increased capital and liquidity requirements of the new prudential standards for the banking sector in Europe	● Difficulty in generating or finding the financial resources needed to meet the statutory prudential ratios ● Delay in the commercial development of La Banque Postale, in turn generating fresh capital requirements	● Monitoring of regulatory changes and defending La Banque Postale's interests with the relevant authorities ● Development of an internal measurement method for credit risks
8. Human resources	Difficulty in achieving professional development in a large labour force and in having the right skills in the right place in a context of swift declines in certain legacy activities and the development of new business lines and new activities	● Mismatch between employees and their position in view of the organisational changes and the needs of customers, and difficulty in organising professional development within the Company ● Growing unsuitability and demotivation of employees ● Insufficient internal mobility leading to unfilled jobs in some places and over-staffing in others, undermining the running of activities	● Strengthening of the training policies in line with business trends and establishment of qualifying training paths ● Facilitation of professional development and mobility: job exchange, Group mobility recruitment spaces (EMRG), implementation of a "nurturing" approach for key functions ● Strengthening of the HR function ● Forward planning of jobs and skills in coordination between managers and HR managers

CHALLENGES FOR THE ADAPTATION OF ACTIVITIES TO THE EXPECTATIONS OF STAKEHOLDERS

Main risk factors	Description	Potential impacts	Main mitigation measures
9. Quality of service as perceived by customers	Difficulty in offering sufficient quality of service in a context of significant competitive pressure, reaffirmation of the public service missions, and transformation of the Group	• Loss of credibility and brand image • Loss of market share • Increasing financial compensation for dissatisfied customers	• Progressive introduction of a Net promoter score indicator on all activities
10. Adaptation to environmental and societal issues	Partial response or lack of response to the societal expectations identified by the Group (climate risk, digital divide, regional cohesion)	• Loss of credibility and brand image • Downgrades of non-financial ratings and decline in attractiveness for large clients and investors	• Reinforcement of the integration of the Group's entities in France into groups of regional players in line with the offer, purchasing, postal coverage, regional innovation, real estate projects and projects promoted by local authorities • Development of the Group's contribution to the implementation of ethical and responsible digital technology • Support for the control of risks related to the environmental transition (energy and resources) • Establishment of structured and in-depth long-term relationships with stakeholders across the Group • Integration of the measurement of quality as perceived by customers into performance management and support in the Group's transformation

GROWTH DRIVERS

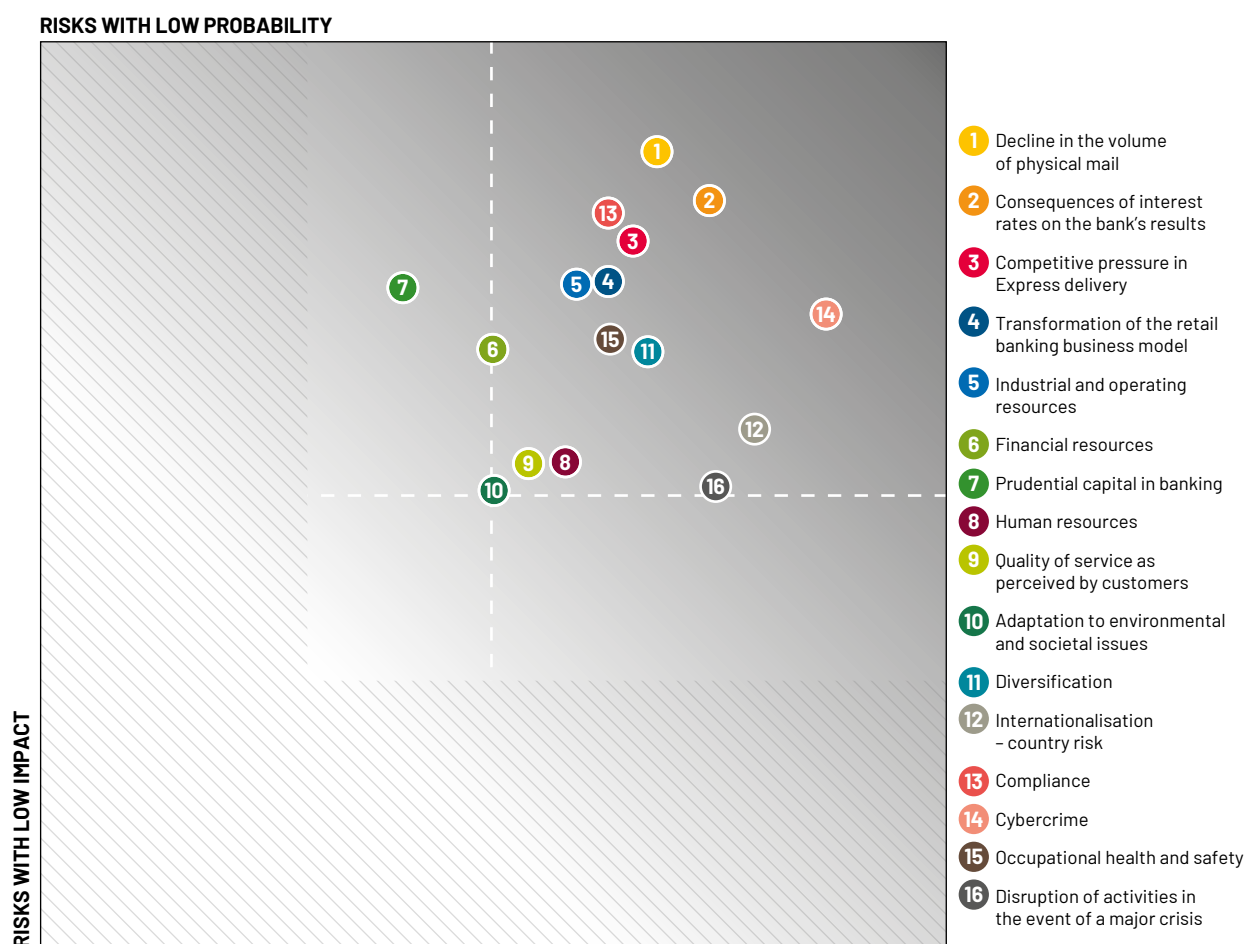
Main risk factors	Description	Potential impacts	Main mitigation measures
11. Insufficient diversification	Quantitative and qualitative insufficiency of new sources of revenue and margins with regard to the need to transform the Group's business model	● Insufficient offsetting of losses in legacy businesses ● Inoperative synergies with more classic growth drivers ● Difficulty in acquiring or integrating acquired companies, which could jeopardise the Group's development	● Accompaniment and renewal of legacy offers around new digital, health and Silver economy uses ● Conquest of new areas of growth and development ● Support and financing for innovation: vault, identity and digital hub ● Contribution to the modernisation of public service activities (written driving licence test, car registration certificate, citizen relationship management platform) ● In-depth assessment of external growth operations and validation by <i>ad hoc</i> bodies
12. Internationalisation – country risk	Increasing sensitivity of the Group to political, socioeconomic, financial and legal developments in a growing number of countries due to the weight of its international activities. Specific case of the United Kingdom and Brexit	● Decline in revenue and margins ● Currency risk ● Regulatory disputes	● Strengthening of pre-acquisition diligence, including new obligations regarding vigilance and the fight against corruption ● Management of activities and results including the monitoring of the ups and downs of local markets ● Brexit: impact analysis for the Group's activities

OPERATIONAL RISKS

Main risk factors	Description	Potential impacts	Main mitigation measures
13. Compliance	Risk of occasional or local breaches of laws: - general (competition law, consumer law, anti-corruption, protection of personal data, duty of care); - sector-based (duty of banking advice, anti-money laundering, anti-terrorism financing).	• Risk of conviction • Risk of fines or penalties • Risk of loss of credibility or brand image	• Rollout of compliance programmes throughout the Group • Training and awareness raising among staff about the regulations in force • Implementation of a whistle-blowing system in the Group and its subsidiaries • Regular assessment of programmes and systems (monitoring, self-assessment and audit)
14. Cybercrime	Growing threat of malicious attacks on the Group's information systems to steal or destroy data, damage or alter the normal operation of IT systems, or mislead authentication devices in order to perform illegitimate operations	• Deferral or loss of activity and therefore of revenue and margin • Theft, disclosure or destruction of data • Loss of credibility and brand image • Material, network or data recovery costs	• Training and awareness raising of staff on best practices in terms of vigilance • Use of feedback and technology watch • Strengthening of the Group's digital asset monitoring capabilities • Integration of the requirements of the Military Programming law directive with the Group's Information Systems Security Policy • Implementation of a security incident management system • Resilience tests and adaptation of systems
15. Occupational health and safety	Risk of harm to the health and safety of Group employees due to internal causes or external causes such as physical aggression or verbal abuse. Employees of suppliers and subcontractors are also concerned	• Physical or psychological harm to Group employees or third parties • Absenteeism weighing on the Group's activities and its ability to provide the services offered to its customers • Level of commitment of employees	• Training and awareness raising of managers and employees about health and safety at work • Rollout of new work equipment • Measures dedicated to senior employees • Support for the transformations and improvement of quality of life at work • Support/involvement of suppliers and subcontractors in health/safety risk insurance for their own personnel • National programme for the reduction of incivility in the most exposed post offices
16. Disruption of activities in the event of a major crisis	Sensitivity of the activities of the Group's various business units to health, climate, environmental, social or IT crises	• Deferral or loss of activity and therefore of revenue and margin • Loss of credibility and brand image • Impossibility of satisfying the public service missions • Attacks on the physical integrity of employees and customers	• Integration of subsidiaries into the cross-cutting crisis management system • Organisation of crisis management exercises at national and local level • System for securing business trips • Adaptation of systems within the framework of the deployment of a national and international anti-terrorist policy

Summary of the probabilities and impacts of the main identified risks

The results presented in the matrix below take into account the initial definition, consisting of a description limited to the significant risks identified and mapped by the Group.



In addition to the mitigation measures described above, the Group has policies for covering certain risks through insurance.

POLICY OF COVERING CERTAIN RISKS THROUGH INSURANCE

The Group believes it has reasonable and sufficient insurance coverage.

The Group's general policy for insurance is based on the following principles:

- risk sharing: wherever possible, a Group policy is taken out to provide each entity or subsidiary with optimum coverage commensurate with its own risks, at minimum cost, regardless of their financial resources;
- insurance as a priority of the intensity of the risk: in general, the frequency risk, of which the cost of insurance would be too high, is maintained (excess, conservation or retention, etc.) by taking into account the financial capacity of each of the Group's entities.

Property and casualty insurance

The Group's property and casualty insurance programme includes a "Damage" policy, which covers all movable and immovable assets (except for any exclusions specifically mentioned in the policy). It concerns all the Group's entities, and breaks down into two parts.

1st part: Group level 1 insurance

The first part benefits La Poste SA and its subsidiaries Véhiposte SAS, La Banque Postale SA (and its SCI (non-trading real estate investment company) and Poste Immo SA (and its SAS and SCI).

The above-mentioned entities are covered beyond specific larger deductibles than for the second group. Special deductibles have been provided for the risks associated with funds and securities held by the Group, including in ATMs.

2nd part: Group level 2 insurance

The second part benefits Group subsidiaries not mentioned in the first part (including subsidiaries of La Banque Postale SA), which have deductibles adapted to the risks incurred.

Other property and casualty insurance policies mainly involve coverage for the following risks:

- fraud: this compensates financial losses resulting from fraud, malicious acts committed directly against the Group or one of its subsidiaries on insured items (i.e. all documents, archives, furniture, equipment, goods, programmes and data, and securities held in any way);
- cyber risk: Le Groupe La Poste is insured against so-called “cyber” risk. This new policy replaced the “IT risks” and “Loss of Banking activities” policies.

The main purpose of the cyber risk policy is to provide Le Groupe La Poste with financial indemnity (including all of its subsidiaries such as La Banque Postale, GeoPost) as soon as the Group experiences a cyber attack, be it malicious or accidental in nature.

The cyber risk policy can be activated as soon as the Group’s IT or telecommunications capacity has been attacked.

Vehicle fleet insurance

In view of the size of the fleet used by La Poste (vehicles, thermal and electric), La Poste has implemented a specific insurance package: service vehicles only have third-party cover, with a high deductible portion.

Fully comprehensive insurance has been taken out for company cars.

The Group also offers “work car” coverage to employees using their own vehicles for business purposes.

Liability insurance

A “general and professional liability” policy for non-financial activities covers the liability of La Poste and its French and foreign subsidiaries. Deductibles are adapted to the nature of the risk and beneficiaries of the coverage.

The Group also has an “employer gross negligence” policy which has been a separate policy since 1 January 2015. Before, this guarantee

was provided under the “general and professional liability for non-financial activities” policy. This policy covers:

- financial losses borne by the insured following an accident at work or an occupational illness affecting a private employee and resulting from gross negligence;
- the financial consequences of employer civil liability following an accident at work or an occupational illness affecting a civil servant;
- defence costs.

Professional liability insurance is also taken out for financial activities, covering errors or omissions made in banking activities (professional liability for financial activities and consulting).

There is also obligatory coverage for insurance brokerage, management and real estate transactions, as well as for the employees concerned.

There is also liability insurance for corporate officers, covering all Executive Directors of the Group and its subsidiaries, as listed in the policy, against the financial consequences of any claim made against them, including the cost of defending civil, administrative, arbitration or criminal proceedings, or the cost of reaching an out-of-court settlement.

Other insurance

Transport insurance

The Group has an insurance policy to cover liabilities and damages during transport. It breaks down into contracts dedicated to:

- GeoPost and its French and foreign subsidiaries;
- activities subject to French Postal Regulations;
- activities not subject to Postal Regulations.

These policies cover the contractual and professional liability of the Group’s various entities and damage to third-party property held by the Group.

Building insurance

As property developer, the Group takes out construction policies, with two insurance programmes designed to automatically cover any development up to a ceiling:

- one is called “all site risks” to cover material damage that may occur to buildings under construction;
- the other is called “building damage insurance” to cover hidden faults that emerge on these buildings within ten years after they have been signed off.

Events and exhibitions insurance

This mandatory insurance covers the Group's liability as both organiser and participant.

The Group has not taken out any "key employee" insurance policy.

Insurance for staff personal property damage (QPV) and insurance to protect employees who are victims of crime (APAVI)

These insurance policies cover material damage and personal injury to Group employees at work or while performing their job.

9.2 Risk management and internal control procedures

9.2.1 DEFINITIONS, OBJECTIVES AND SCOPE

In addition to the governing principles laid down by the French Financial Markets Authority (*Autorité des marchés financiers* – AMF), Le Groupe La Poste has chosen to refer to the international standards ISO 31000 for global risk management and COSO 2013 (Committee of Sponsoring Organisations of the Treadway Commission) for internal control.

The risk management function complies with the amended AMF framework dated July 2010, according to which the Board of Directors, senior executives, management and all employees of the organisation are all stakeholders in the implementation of the risk management process. This framework is taken into consideration in the development of the strategy as well as in all activities of the organisation.

9.2.1.1 Definitions

The Group's internal control system includes a set of resources, behaviours, procedures and actions that contribute to the control of its business activities, the effectiveness of its operations and the efficient use of its resources, as well as the identification and management of risks.

The term "risk" refers to all random events or uncertain situations whose occurrence would have damaging consequences for the Group, in the achievement of its objectives or compliance with its values.

The risk management system implemented by management involves assessing risks and deciding how to address them.

These two aspects form the backbone of the Group's risk management system, which is set out in its Risk Management Charter. Signed by the Chairman of Le Groupe La Poste, this Charter, which has been applicable since 1 January 2010, was updated with effect from 1 January 2015. It applies across the whole Group.

9.2.1.2 Objectives and limits

The objective of the risk management approach set out in the Charter is to ensure:

- respect for the Group's corporate purpose, mission and the achievement of its strategic objectives;
- compliance with current laws and regulations;
- the application of instructions and guidelines set by decision-making and executive bodies;
- the proper functioning of the Group's internal processes, and particularly those contributing to the safeguarding of its assets;
- the achievement of its operating objectives (performance and optimisation of operations);
- the reliability of financial and non-financial reporting, whether internal or external.

By taking into account the application of the Group's strategic and operating objectives in all of its entities, risk management serves to reinforce control over business activities, the effectiveness of operations and the efficient use of resources.

It is designed to identify potential events liable to affect the organisation or the achievement of its objectives, and to manage risks and uncertain situations within the limits of its risk appetite. It aims to provide the Executive Management and the Board of Directors with reasonable assurance as to the achievement of the organisation's objectives.

It thus helps to maximise the value delivered by the Group to its stakeholders (shareholders, customers, employees, national and local public authorities).

9.2.1.3 Scope

The features of the Group's internal control and risk management systems apply to La Poste parent company, to holding companies and to fully consolidated subsidiaries, as well as entities jointly controlled with another group and companies subject to significant influence⁽¹⁾ by the Group.

Internal control and risk management are integral parts of the governance of both the Group and the companies comprising it. They are the foundations of a comprehensive risk management policy.

Internal control is integrated into all processes and all Group activities. It involves all employees in their day-to-day activities.

Risk management reports to management in all Group entities, in accordance with the powers of their corporate officers and their decision-making bodies.

Both systems cover business activities delegated within the Group or subcontracted to outside companies.

For La Banque Postale and activities performed on its behalf, risk management falls within the specific framework of regulations inherent to banking.

9.2.2 ACTORS IN RISK MANAGEMENT

9.2.2.1 At Group level

Risk management is everyone's matter in the Company:

- Executive Management lays down the risk policy;
- management defines and coordinates the risk management and internal control approach;
- employees implement the risk management and internal control measures laid down in the procedures.

This action is conducted under the supervision of the Board of Directors, the Group's decision-making body.

The Group's Risk Management Department, which reports to the Head of Audit and Risks, who in turn reports to the Chairman and Chief Executive Officer, is tasked with implementing management's overall policy in the field of risk management. As such, it:

- maps the Group's major risks in conjunction with the departments in charge of risk in the business units, subsidiaries and cross-entity fields;
- ensures the existence of plans governing the management of major risks, and monitors their implementation;
- monitors points of attention identified by the Group's Risk Committee;
- arranges for the self-assessment of internal control systems and their contribution to risk management;
- facilitates and contributes to developing the professional skills of the Group's risk management network correspondents.

Three bodies have been established to organise and oversee the Group's risk management system:

- the Audit Committee of La Poste's Board of Directors is responsible, pursuant to Article 14 of the Order of 8 December 2008, for monitoring the effectiveness of the internal control and risk management systems;
- the Group's Executive Committee lays down the risk management strategy applicable to the Group, monitors the Group's major risks, assesses the progress made on the risk management plan and corrective measures, and ensures that the management of major Group projects includes a risk management component and internal control procedures;
- the Group's Risk Committee is composed of senior executives representing each of the business units and the major corporate functions. It is chaired by the Group's General Secretary, and its work is intended to achieve collective consistency of the risk management system. It met four times in 2018, notably to oversee the implementation of the risk management approach, review the mapping of the Group's major risks and broader sector risks, monitor the implementation of the corresponding management plans and ensure the consistency of the risk management systems with the other managerial approaches.

The Group's Risk Department relies on work carried out in close cooperation with internal control and risk management correspondents in the subsidiaries, business units and cross-entity departments, with a view to constantly adapting it to legal and regulatory, structural and organisational developments.

The directors of business units, cross-entity departments and subsidiaries apply the principles of the Risk Management Charter in their respective areas of responsibility, in accordance with the rules laid down by their decision-making and executive bodies.

To do this, they establish their own risk management and control structures, which are functionally related to the Group's Risk Department, which is in turn tasked with ensuring the overall consistency of the approach.

(1) Significant influence is the power to participate in decisions related to an entity's financial and operating policies; it is not control or joint control over such policies.

9.2.2.2 At business unit level

The Services-Mail-Parcels business unit

The risk management of the Services-Mail-Parcels business unit is based on the following key principles:

- the manager of each level of the organisation (head office departments, regional departments and individual offices) is in charge of risk management in his or her area of responsibility;
- the risks of executive and operational departments with nationwide responsibility consist of the risks identified by the head office and operational risks identified locally;
- risk management is integrated into the management systems of the various entities and is subject to regular monitoring;
- the business unit's major risks are identified according to the strategic ambition and targets set for its Chief Executive Officer.

In France, the Risk and Compliance Department (created in September 2018) reports to the Quality and Customer Satisfaction Department and is responsible for coordinating risk management and internal control.

The operational departments with nationwide responsibility and all subsidiaries of the business unit are also required to be involved in the risk management system of the business unit. These two types of entities prepare their own risk mapping and ensure follow-up.

The regional level was revised in 2018. Each Quality and Customer Satisfaction Department of the 14 Executive Departments covering the country has a "risk manager" responsible for:

- organising the assessment and management of risks;
- providing support for the deployment of decisions and procedures involving risk management and the Company's social responsibility within local entities, and ensuring the proper dissemination of the corresponding cultures;
- implementing the Company's ethics, compliance and social responsibility programmes;
- supervising and evaluating the internal control and risk management systems of local entities.

The GeoPost business unit

The internal control system of GeoPost is based on the principle of decentralisation and accountability. The Chief Executive Officers of the business unit's subsidiaries are responsible for the establishment of a pertinent and reliable system falling within the organisational framework established by the Chairman and CEO of GeoPost and respecting the principles of the Le Groupe La Poste Risk Management Charter.

The business unit's Executive Management Committee steers the organisation and management of the risks of the operational entities. The governance of each subsidiary of the business unit is structured in accordance with the principles laid down by this Committee and the relevant legal bodies, in accordance with the regulations applicable in each of the countries where GeoPost operates.

The effectiveness of the internal control and risk management systems is monitored by the Audit and Accounts Committee of GeoPost's Board of Directors.

La Banque Postale business unit

La Banque Postale's policy in terms of risk management is based on its risk appetite statement and the table of associated limits. This risk appetite framework is based on:

- the definition, implementation and monitoring of a system of qualitative and quantitative limits;
- the establishment of an alert system in the event of thresholds or limits being exceeded;
- the organisation of risk management along three lines of defence;
- documentation and consistent processes to ensure the operational dissemination of the appetite for risk and the associated organisational principles.

Three bodies organise and manage La Banque Postale's risk management as follows:

- the Risk Committee of the Supervisory Board approves the risk appetite of La Banque Postale and monitors changes in the risk profile in relation to the defined appetite framework. It assesses the quality of internal control, the principles for the risk management of the institution, the compliance control system, the internal control activities and results, the reports intended for the French Prudential Supervision and Resolution Authority or other supervisory bodies, the institution's periodic monitoring plan as well as the follow-up given to the main recommendations of the banking inspection and the regulatory authorities. It examines the General Inspectorate Charter and that for permanent control and reviews the consistency of the compensation policy and practices. More broadly, it also performs the tasks provided for in the French Monetary and Financial Code and the Internal Control Order of 3 November 2014;
- the Risk Committee of La Banque Postale (emanation of the Management Board) investigates the Bank's proposed risk management policy and the operational limits before validation. This is also the body wherein the risk appetite framework is monitored on a monthly basis, the main commitments beyond the system of delegations in force are approved, the most sensitive risk areas as well as their coverage level are examined and threats that may affect the structure of the balance sheet, earnings or management ratios are analysed;

- the Internal Control and Ethics Coordination Committee (emanation of the Management Board) examines the coverage of the permanent control plan and the General Inspectorate plan. It monitors reports on topics related to fraud, compliance, the fight against money laundering and terrorist financing, financial penalties, customer protection, ethics and major litigation. It is also the body wherein the application of rules and their compliance with regulatory developments are assessed, the list of “sensitive personnel” is updated and major conflicts of interest are investigated. The validation of the registration document with regard to internal control, compliance and ethics is performed by this Committee.

The permanent control and risk management system is managed by two departments that report directly to La Banque Postale’s Management Board:

- the Compliance Department, is tasked with controlling non-compliance risk, as defined in point p of Article 10⁽¹⁾ of the Order of 3 November 2014;
- the La Banque Postale Risk Department is responsible for performing the “risk” function tasks necessary for the consistency, homogeneity, effectiveness and completeness of risk measurement, as well as monitoring and managing risks. It is responsible for the management of La Banque Postale’s consolidated risks and ensures the coordination of all second-level controls.

The Risk Department of La Banque Postale is responsible for defining the framework for risk management, proposing said framework to the Management Board and the Supervisory Board. This framework enables the Management Board to define the risk appetite for La Banque Postale and the associated limits prior to approval by the Supervisory Board. The Risk Department also ensures that the risk management policies of the subsidiaries are consistent with those of La Banque Postale’s parent company and that they are correctly applied.

The internal control system is part of the three lines of defence upon which the Bank’s risk appetite framework is based:

- the operational departments manage their own activities;
- the aforementioned two departments in charge of permanent control;
- the General inspectorate responsible for periodic control.

All activities, whether carried out by the business lines of La Banque Postale SA or by wholly or jointly controlled subsidiaries, equity investments over which control is exercised, dedicated financial services entities or those working on behalf of and in the name of the Bank, are covered by its risk management system. The control of outsourced activities also falls within the scope of this system.

La Poste Network business unit

In France, the Ethics, Control, and Investigations Department is responsible for promoting and developing the internal control system within all La Poste Network business unit entities, in compliance with the regulatory and compliance requirements applicable to the activities of the business unit, and in line with the major operational risks identified in its activities. It manages the division dedicated to the permanent control of the business unit for non-banking activities.

The Operational Risk Management Department supports the work of the managerial line in managing the entirety of the operational risks of the La Poste Network business unit, whether they are banking or non-banking risks.

It also manages the correspondents in charge of operational risks at the business unit’s head office, in departments with nationwide responsibility and the risk function in the regional entities.

At the local level, individual managers are responsible for managing the risks related to activities within their scope. They also perform first-level controls and implement any corrective action plans.

The scope of the permanent control system extends to all La Poste retail outlets, particularly to all post offices.

The services provided by the La Poste Network business unit on behalf of the Group’s various business units and subsidiaries are governed by service agreements, which notably lay down the rules applicable to control. Specific agreements set out the conditions under which activities entrusted to the retail outlets of the partner networks are organised.

The Digital Services business unit

The Digital Services business unit brings together the expertise of the Group’s Digital Services Department and the activities of the subsidiaries Mediapost Communication and Docaposte.

Its mission is to accelerate the digital transformation of Le Groupe La Poste by ensuring an uninterrupted customer experience between the physical and the digital for all its services, and by developing new activities particularly in the area of trust in digital communications.

The business unit’s risk management system is organised and managed by the Digital Services business unit’s Executive Management, and is based notably on the following principles:

- risk management and control are the manager’s sole responsibility:
 - on each of the three levels of management of the Digital Services business unit (general management, business divisions and production sites), the manager has full responsibility for the management of risks within his or her area of responsibility,

(1) Article 10, point p: Risk of non-compliance: the risk of judicial, administrative or disciplinary sanction, significant financial loss or reputational damage arising from non-compliance with provisions specific to banking and financial activities, whether of a legislative or regulatory nature, national or directly applicable European provisions, or whether they concern professional and ethical standards, or instructions from the effective managers taken notably pursuant to the guidelines of the supervisory body.

- the risk management plan is integrated into each division's steering system. It is regularly monitored by the division's bodies and by the business unit's governing bodies,
- the rollout of procedures aims to be homogeneous and consistent across the business unit;
- risk management and control are the responsibility of the business unit's divisions:
 - operational risks are identified within each division,
 - their monitoring and management are integrated into the governance of each division.

9.2.3 ACTORS IN PERIODIC INTERNAL CONTROL

The internal audit function is tasked with objectively and independently assessing the Group's risk management, control, corporate governance and IT systems. It contributes to their improvement in terms of compliance, safety, effectiveness and efficiency.

Its purpose is to provide reasonable assurance in respect of risk management to corporate officers, governance bodies and, more generally, managers and senior executives. To this end, it performs targeted, in-depth audit assignments on all of the Group's activities in France and internationally. It works on a partnership approach with the various entities, subject to prior agreement, and with service providers as part of applicable contracts.

In accordance with the decisions taken by the Chairman and Chief Executive Officer of Le Groupe La Poste, the Group Audit and Risks Department, in collaboration with the other Audit Departments within the Group, is drawing up a rolling multi-year plan geared towards covering the full audit scope over a four-year period.

9.2.3.1 Organisation of internal audit services

The internal audit function is primarily the responsibility of the Group's Audit Department, which reports directly to the Chairman and Chief Executive Officer of La Poste. It works at several levels within the risk management process. Through their findings, auditors contribute to the assessment of the risks that are analysed in the mapping and then incorporated into the audit plans. They then verify the measures undertaken to reduce these risks and in a general manner perform an assessment of internal control.

It also depends on an Internal Audit Department under the authority of the relevant Head of GeoPost, on the General inspectorate for La Banque Postale, as well as on a specific audit in the real estate field under the authority of the Chief Executive Officer of the Poste Immo subsidiary.

9.2.3.2 Working methods

Each Internal Audit Department develops an audit plan based on the risk mapping of the entity on whose behalf it operates. The finalisation of these plans and the monitoring of their implementation are ensured within the framework of a collegiate body. The consolidated audit plan for the year, drawn up by the Group audit function, is validated first by the Group's Executive Committee and then by La Poste's Audit Committee. The findings are presented to La Poste's management bodies and to its Audit Committee.

9.2.3.3 Business activities

In 2018, 119 assignments were completed. They allowed a review of major operations, processes and projects to ensure that they are in line with goals and objectives, and that they produce the expected results in a timely manner and within budget.

On the basis of their findings, the auditors, whose number totalled 133 in 2018, make recommendations and monitor the implementation of the improvement measures taken in application of their recommendations by management and, as regards Group-wide audits, by the select Committee or Executive Committee in the form of a statement of decisions of the Chairman and Chief Executive Officer.

The Group audit performs three types of assignments:

- cross-entities assignments targeting support function, governance, projects, and recent acquisitions are conducted by the general audit team. In 2018, it finalised 16 assignments and had 12 auditors at the end of December 2018;
- IT assignments are conducted by internal IT auditors. The Group IT audit team (12 employees at the end of 2018):
 - works from start to finish on assignments it is tasked with in the annual audit plan (12 assignments completed in 2018),
 - contributes to assignments of the General inspectorate of La Banque Postale (2 assignments in 2018) and the audit of GeoPost (2 assignments in 2018),
 - provides support for general audit assignments (3 assignments in 2018);
- assignments targeting operating activities of the business units (Network and Mail-Parcels). The number of assignments completed in 2018 breaks down as follows:
 - 9 assignments for the La Poste Network business unit with a team consisting of 7 auditors at the end of 2018,

- 11 assignments for the Mail-Parcels business with a team consisting of 11 auditors.

A half-year management report intended for the Chairman was created and included a summary of the assignments and of the progress of the actions plans implemented by those audited after receiving recommendations.

The Group's Head of audit reports his findings and recommendations to any of the following: Executive Management; the select Committee chaired by the Group's General Secretary comprising the Chief Audit Officer, the manager of the specific audit assignment, the members of the Executive Committee concerned by the focus of the assignment or their representatives and any other director concerned by the subject; or the Group's Executive Committee

depending on the importance of the assignments in question for the Group as a whole. Once a year, he presents a report on the activity of the internal audit network to La Poste's Audit Committee. This Committee can request the details of a particular assignment, the resulting recommendations and management's follow-up.

The Group's Head of Audit and Risks also oversees the consistency of the audit methods within the function, the development of the professional skills of auditors, particularly through training, the spread of best practice and the implementation of shared tools.

Lastly, he also participates in all La Poste Audit Committee meetings and maintains frequent contacts with the Group's Statutory Auditors.

9.2.4 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Le Groupe La Poste's internal control and risk management systems are interdependent. Internal control contributes to the identification and reduction of identified operational risks. The Group strengthened and expanded internal control and risk management actions across all of its activities throughout 2018.

and actions aimed at ensuring the systems' consistency and bolstering their effectiveness.

For the control of intra-group relations, partnership Committees bringing together the various stakeholders of the main inter-business unit agreements serve to monitor compliance by the signatories with commercial, operational, technical and financial commitments in the context of contractual documents, and to decide on any necessary corrective actions for the proper implementation of the agreements.

The Sapin 2 anti-corruption law requires the implementation of a corruption prevention and anti-corruption programme. La Poste, its business units and its subsidiaries launched an action programme to this effect in 2016 in order to reinforce their respective systems and are continuing its implementation.

9.2.4.1 The Group's permanent internal control and risk management mechanisms

The internal control system

At Group level

The Group's internal control function, which reports to the Risk Department, oversees the implementation of the Group's Risk Management Charter. To this end, it performs annual mapping of risk management systems for Le Groupe La Poste to ensure their compliance with the Charter. Each year, a review of risk management systems is presented to the Group's Audit Committee.

This service contributes to the reinforcement of the internal control systems, relying notably on recommendations issued by the Audit function.

The Group's internal control function contributes to the identification of risks. It provides management with support and assistance, particularly in securing the internal environment and adapting internal control systems. It distributes tools and methods, in accordance with best market practice, provides professional documentation bearing on risk management, manages the overall function and contributes to its training. It coordinates the follow-up of the essential points of vigilance defined by the Risk Committee

Human resources

The Group's Human Resources Department guarantees the values, principles and rules underpinning Le Groupe La Poste's responsibility as an employer. As such, its overall purpose is to ensure the strategic management of human resources for Le Groupe La Poste.

In the area of regulatory compliance, the Group's Human Resources Department lays down principles of human resources management and contractual policy, and ensures the application of legislative and regulatory changes in relation to external bodies and Group-specific regulations. It is the Group's representative on policy and regulatory issues with external institutions and bodies, including at the European level, in the field of human resources.

The Group's Human Resources Department determines the common framework (policies, rules, procedures) within which the business units apply these policies in their scope and define the procedures for implementing legislative and regulatory changes and the national or local agreements within their sphere.

As part of its core role of managing the Group's HR risks, the Group's Human Resources Department ensures the mobilisation of the managerial line and the implementation of action plans at national level on the major issues of *qualité de vie et santé au travail* (quality of life and health at work), which covers absenteeism, prevention of accidents at work, and the management of incapacity and hardship.

Purchases

The Group Purchasing Department, which reports to the Group Finance and Development Department, oversees the purchasing policy. It guarantees the development and application of a corpus of rules relative to the purchasing process, as well as shared principles in terms of skills management, benchmarks, steering, information systems, responsible development and internal control.

The system governing the delegation of signatures makes it possible to ensure that major contracts are reported to the right managerial level with a prior review of the file.

Large contracts are also submitted to La Poste's Purchasing Commission (*Commission des achats de La Poste*⁽¹⁾ – CALP), which provides advisory opinions on contracts and amendments submitted to it, in compliance with Le Groupe La Poste's contract-awarding rules and the legal soundness of the contractual arrangement and the choice of the offer (the "best-price" principle).

CALP reports on its activity once each year in the form of an activity report submitted to La Poste's Audit Committee and subsequently to its Board of Directors.

Legal compliance

Since 1 January 2018, all La Poste legal experts throughout the country are gathered under the umbrella of La Poste Solutions Juridiques. The legal function participates, through the daily business activities of its members in terms of consulting and monitoring, in the legal security of the Group entities and their senior executives, as proof of the long-term and successful deployment of their projects. La Poste Solutions Juridiques also oversees the compliance system which is based on:

- a network of referents within the managements of the Group's business units and subsidiaries;
- a legal information system including monitoring and reporting tools;
- periodic updating of standards;
- monitoring the processing of internal alerts;
- training for operating staff regularly confronted by legal issues.

It is actively involved in steering the Group's compliance programmes:

- competition law by coordinating and monitoring actions aimed at fulfilling commitments made to the Competition Authority (*Autorité de la concurrence*);

- the anti-corruption programme, in association with the Group Ethics Department;
- the protection of personal data, thanks to the work of the delegate for data protection who is part of La Poste Solutions Juridiques.

It also contributes to the creation and implementation of the measures identified under duty of due diligence and the OFAC compliance programme⁽²⁾.

Security

The Group's security policy is laid down by its General Safety and Security Department, which assesses its implementation and proposes measures to be adopted to protect La Poste's human, material and immaterial assets. It provides an exhaustive view of the degree of coverage afforded by the action plans addressing threats.

The Group's General Safety and Security Department oversees the monitoring and sharing of feedback on different types of fraud, and oversees cross-entity work on identity theft and control of unscrupulous IT service providers. The Group's business units are responsible for managing fraud at the operating level, with the Group's General Safety and Security Department assisting and coordinating these entities in drafting common fraud policies for the Group.

At the business unit level

The Services-Mail-Parcels business unit

Local supervision (first-level control) is provided by the management and the director of the operating entity through the implementation of daily managerial routines:

- the "field tour" is a process of observation and verification of compliance with procedures by the employees of the entity;
- the "brief" is a short management meeting aimed at organising the working day and correcting dysfunctions observed during the "field trips" as quickly as possible.

On a monthly basis, the director of each entity conducts a management review with his or her managerial group to monitor contract objectives and the results of supervision.

Second-level supervision is performed both:

- by the business line departments that ensure compliance with the requirements and priorities under their responsibility, as well as the cross-entity fields and support areas; and
- by the risk managers who ensure compliance with the risk management system, the establishment of ethics procedures and who ensure compliance risk coverage: particularly those associated with competition law, the anti-corruption programme and the protection of personal data.

(1) CALP was created by a decision of the Board of Directors of La Poste dated 15 April 2010, this consultative and independent body reports to the Chairman and Chief Executive Officer.

(2) The "Office of Foreign Assets Control" is a financial control body associated with the Treasury Department of the United States. This "Office of Foreign Assets Control" is responsible for applying US international sanctions in the financial sector.

GeoPost business unit

The control of the activities of GeoPost's operating subsidiaries is structured in accordance with systems governing standing delegations of authority or signature, in accordance with the rules issued by the Executive Management of GeoPost.

The management of first-level internal control systems therefore comes under the direct responsibility of the senior executives of the operating subsidiaries and the governance bodies of those entities. The Executive Management Committee and the European Operational Committee, for subsidiaries located in Europe, regularly carry out business reviews based on the subsidiaries' financial and operating reports.

GeoPost's Executive Management ensures that the actions undertaken are consistent with its strategic objectives, and transmits the decisions to be implemented to decision-makers.

As part of its annual audit plan, GeoPost's Audit Department reviews the governance and internal control systems of the subsidiaries and assesses their compliance with laws and regulations, based on the expertise of the Legal Department.

The anti-fraud system is coordinated by GeoPost's Safety and Security Department, each subsidiary having an acknowledged organisation and a security action plan. The plan's objectives are integrated into the business plan and monitored through monthly reporting.

GeoPost's Legal Affairs Department oversees the distribution among subsidiaries of compliance-related information, including anti-money laundering and anti-corruption regulations, as well as the introduction of benchmarks in these areas. Each subsidiary is responsible for their application in relation to local regulations.

In addition, the GeoPost Code of Business conduct includes a set of rules defined on the basis of the corruption risk mapping for the business unit, which specifically addresses the policy for gifts and invitations, conflicts of interest, facilitation payments as well as patronage and sponsorship actions.

La Banque Postale business unit

La Banque Postale's internal control is governed by the French Monetary and Financial Code, the Order of 3 November 2014 on internal control, and the guidelines of the European Banking Authority of 26 September 2017 (EGA/GL/2017/11). Two levels of permanent control are in place:

- self-monitoring by staff and their managers during their operating activities;
- control carried out by dedicated staffs who do not have any operating activity.

Periodic controls are carried out by the General Inspectorate.

La Banque Postale is also subject to the provisions of the General Regulations of the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) for transactions related to investment services. For non-compliance risks bearing on customer protection,

the system based on the development of risk mapping is rounded out by a stage of coordination and validation by the Compliance Department, and its management is the responsibility of the "customer protection compliance" function.

Anti-fraud actions are coordinated by La Banque Postale's Risk Department, either directly or via more operational teams. To deal with the upsurge in fraud and the constantly evolving techniques of perpetrators, the initiative for the performance improvement of organisations and tools is the responsibility of the Financial Transactions Security Department.

Anti-money laundering and combating the financing of terrorism work (AML-CFT) is led by the Financial Transactions Security Department, which reports to the Compliance Department.

Permanent control of the banking activities carried out in the retail outlets of the La Poste Network business unit is organised in accordance with the master agreement linking the two business units as follows:

- the La Poste Network business unit site managers carry out first-level controls, as an adjunct to the self-monitoring system, on the basis of a set of specifications drawn up by the Permanent Control Department. Since 2018, the effectiveness of their controls has been strengthened thanks to a methodological manual created by the Permanent Control Department of La Banque Postale in coordination with the La Poste Network business unit;
- operational controllers in the banking sphere carry out second-level controls in post offices under the hierarchical responsibility of the departments overseeing controls at the regional level of the Permanent Control Department. The control manuals created by La Banque Postale are updated three times a year and include tables related to each of the topics or operations noted in the risk mapping. An information sheet tracking all corrective measures taken by site managers after the notification of problems is also made available to them.

Permanent control of activity in the financial centres is managed by La Banque Postale's Risk Management and Permanent Control Department, under the functional authority of the Permanent Control Department. First-level control is based on self-monitoring and control by managers, while the teams of internal banking supervisors, who report to the Permanent Control Department, perform second-level controls.

In business centres specialising in business and local authority customers, first-level controls are performed by the business centre managers on the basis of a plan drawn up by the Business and Regional Development Departments. Operational controllers in the banking sphere provide second-level controls based on an audit plan devised by the Permanent Control Department.

In the head office departments and subsidiaries of La Banque Postale, first-level control takes the form of self-monitoring and control by managers. Second-level controllers within the departments and subsidiaries perform controls based on an annual control plan prepared in coordination with the Permanent Control Department.

La Poste Network business unit

The La Poste Network business unit prioritises its permanent internal control system on the basis of the management of operational risks related to the activities of post offices and structures it as follows:

- area managers, regional managers, the *Maisons de l'Habitat* managers and wealth management advisers perform first-level controls in their capacity as line managers on their areas of responsibility;
- the staff of the permanent control bodies of the La Poste Network business unit carry out second-level controls for delegated banking activities and for activities outside the sphere of banking;
- the staffs of La Banque Postale's permanent control bodies perform second-level controls for banking activities.

In addition, specific controls have been established in the spheres or cross-entity activities of the support and regional support departments.

Anti-fraud actions implemented are coordinated in close synergy, by the Ethics, Control and Investigations Department, the Operational Risk Management Department and the security and accounting functions of Le Groupe La Poste. In the field of banking, they are decided jointly with the relevant departments of La Banque Postale.

The national service for investigations reports to the Ethics, Control and Investigations Department of the La Poste Network business unit. It intervenes in cases of potentially fraudulent transactions as soon as they are detected, when the relevant transactions have been fully or partially completed within La Poste.

The Digital Services business unit

The Head of Risks and Internal control of the Docaposte division provides his expertise to the managers of its various entities and supports each division in the implementation of a management plan for the activities and risks including a risk mapping, a risk coverage plan encompassing action plans and a control plan.

In each of the management bodies of the various divisions, regular updates are done on risk management and internal control, particularly within two Docaposte Committees: one concerned with investments and the other with external growth. This second Committee is the management and control body for all the stages preceding the acquisition of companies.

In the fight against fraud, the Digital Services business unit monitors the application of regulations for all of its activities and observes a strict separation of duties on sensitive issues, notably by including blocking controls in its management software packages.

The risk management system

At Group level

Overall system

The identification and assessment of major risks, and the preparation of plans to control these risks, are based on work carried out in each business unit, subsidiary and functional domain, on interviews with the Group's senior executives and on permanent oversight of risks within each specialist service and body (e.g. HR, security, legal, information systems, CSR, etc.). Audit plans are prepared, in particular, based on the Group's major risk mapping as well as sector mapping.

The results of this work are presented each year to the Board of Directors' Audit Committee, after approval by the Executive Committee.

Risks are reported to the Board of Directors both through presentations of the work of the Audit Committee by its Chairman and by the distribution of summary mapping to the members of the Board of Directors.

Another meeting, mid-year, allows the Executive Committee to monitor the implementation of the risk control plans. An overview of this monitoring is also presented to the Audit Committee and the Board of Directors.

Le Groupe La Poste faces three types of risk:

- external risks associated with the strategic environment in which the Group operates each of its main business activities (strategic threats that undermine its business model);
- external and internal risks weighing on the implementation of the pillars of the Group's strategic plan;
- operational risks in the strict sense that, were they to materialise at a certain level of intensity, they would have major consequences for the finances, reputation or legal position of the Group and its senior executives.

Their identification is used to draw up risk mapping that in turn gives rise to a risk management plan. For each risk identified, a risk owner belonging to the Executive Committee is designated. This person is subsequently responsible for developing a draft action plan or proposal for the special monitoring of the risk. The risk owner relies on people responsible for the risk and the related management plan, appointed in a functional department at head office or in the business units. On addition to the appropriate as-needed measures, risk management plans include internal control actions and, where relevant, insurance coverage.

La Banque Postale, GeoPost and Poste Immo also have specialised Board of Directors and Supervisory Board Committees, to which the main risk factors relating to these entities' business areas are presented.

Crisis management

The management of cross-entity crises throughout the Group is ensured by the Group General Safety and Security Department. It manages the national and, if applicable, the international crisis cells, and liaises with national public authorities (Ministry of the Interior, Ministry of Health, and Ministry of Defence, etc.).

La Poste and its subsidiaries implement business continuity and disaster recovery plans in specific areas deemed critical in order to reduce the risk of downtime on their IT systems after a serious accident, physical or logic.

Each business unit is responsible for implementing formalised and appropriate procedures depending on the specific type of risks facing their business activities.

At the business unit level

The Services-Mail-Parcels business unit

Identification of country risk (meaning the major risks of the business unit and operational risks to be reported to the regions) is performed during individual interviews with each member of the Executive Committee of the Services-Mail-Parcels business unit. Following an evaluation phase, the major risks of the business unit are mapped. Each member of the Executive Committee provides an opinion on the relevance of the coverage plans and their indicators in order to promote the cross-functionality of the action plans.

For local risks, each entity manager is responsible for identifying the relevant risks, assessing them (local and operational risks identified by the Head Office), developing a coverage plan, and monitoring and adapting it according to changes in the criticality of the existing risks or the identification of new risks.

GeoPost business unit

Risk analysis related to the achievement of specific objectives subsidiaries is carried out locally. The review of events liable to affect the achievement of GeoPost's objectives is performed at the GeoPost level. Subsidiaries are required to submit management arrangements for identified risks to GeoPost's Executive Management.

Potential strategic risks related to activities under the responsibility of the subsidiaries liable to impact GeoPost are identified and assessed upstream of the budgeting process and the updating of subsidiaries' strategic plans by members of the Executive Management Committee and the directors of subsidiaries.

GeoPost's annual audit plan takes into account the risk map for GeoPost and its subsidiaries, and is validated by GeoPost's Executive Management before presentation to GeoPost's Audit and Accounts Committee as part of the preparatory work of the GeoPost Board of Directors.

La Banque Postale business unit

Risk identification is performed by each entity. Risks are then described in La Banque Postale's business line mapping. The Risk Department ensures that the system is actually implemented,

analyses it and produces a consolidated view at the central level of the risks, their criticality and any ongoing and prospective action plans concerning them.

This identification is based on the completion of risk mapping according to the different types of risks identified: credit risk, market risk and operational risk.

The La Banque Postale management body determines its risk appetite, *i.e.* the level and types of risk it is willing to assume to achieve its strategic goals and apply its business plan while remaining within the limits imposed by prudential banking regulations and the Bank's capacity to control and manage risk.

The statement of risk appetite approved by the Supervisory Board formalises quantitative and qualitative criteria on risks that are accepted and those that are not, how to take them, how to limit their effects, how to diversify them and how to establish governance to monitor them and issue alerts. This statement notably covers credit, market, liquidity, operational, reputational, misconduct risks, as well as those related to ethics, and is accompanied by a table of limits that allows changes in the risk profile to be tracked, while respecting the framework and setting alert thresholds. This framework is applied by La Banque Postale's Risk Department through its risk management policy, and risk control mechanisms that set risk-taking and monitoring rules.

The Bank seeks to implement risk coverage arrangements wherever it is possible and necessary to do so. It does this by virtue of financial collateral policies, by taking out adequate insurance cover or through the use of credit derivatives. The idea is to make a decision on a transaction based on the quality of the counterparty rather than the quality of the coverage.

La Poste Network business unit

The Operational Risk Management Department performs the risk mapping of the La Poste Network business unit. It identifies risk management plans associated with each of these risks and monitors their implementation.

Nationally, each functional manager is the owner of the risks associated with his or her scope, and is responsible for the implementation of the relevant management plans.

Territorially, the regional departments and segment managements are priority levels for the development, steering and implementation of action plans. Regional directors, supported by the permanent control bodies, assess the efficiency of the action plans for the segments under their responsibility.

A comprehensive business continuity plan covering mainland France and the overseas departments helps to deal with crisis situations.

The Digital Services business unit

Risks are identified and their coverage plans reviewed by a Steering Committee in each of the subsidiaries comprising the Digital Services business unit.

The risk management and master plans for the operations of each division are integrated in their steering system and monitored within the framework of the business unit's governance.

Dissemination of information

Business units, subsidiaries and cross-entity departments ensure that the relevant information needed to manage the control environment and activities, risk management and compliance with legal and regulatory requirements is disclosed at all levels of the organisation.

Management ensures that each employee knows the policies, procedures and responsibilities related to his or her function, has the necessary information for the execution of his or her duties and knows the importance of his or her responsibility for internal control and risk management.

Le Groupe La Poste's professional documentation policy represents a common reference framework for the Group for the control of its professional documentation. It establishes a set of principles, and lays out the relevant documentary area and the scope of these principles and the system coordination arrangements. The procedures governing the validation, registration and dissemination of professional information are identical in all La Poste entities. Their dissemination calls largely on electronic media adapted to each target population, and contributes to the implementation of Company guidelines and the control of its activities.

The management of the risk management system correspondents is provided by the Group Risk Management, which organises and coordinates inter-business unit and inter-activity exchange, notably so as to share methods and practices, thereby ensuring a coherent framework. Professional internal control documentation at Group level is distributed through an extranet available to all.

Management of the various systems

Management is provided by the Board of Directors, which is made aware, through its Audit Committee, of the analysis and management plans relative to the major risks faced by the Group and developments in their criticality. It is also the recipient of the summary mapping of the Group's major risks.

The Group Risk Department aims to give the La Poste decision-making and executive bodies an overview of the major risks faced by the Group and how they are addressed, particularly through risk mapping and the monitoring of management plans.

It organises an annual campaign allowing business units, cross-entity departments and subsidiaries to describe their internal control and risk management processes, present a report on the actions taken during the past year, and formalise their risk management objectives for the coming year. This campaign helps provide mapping of risk management systems at Group level.

Each year, the Group Risk Department distributes a self-assessment questionnaire bearing on the maturity of the internal control system and its contribution to risk management for the entire Group.

In 2018, a series of questions was added in order to assess the work accomplished regarding the duty of due diligence and three additional self-evaluations were implemented to measure the control of compliance in relation to competition law, the roll-out of the prevention of corruption plan as well as the level of compliance with the provisions of the European Regulations on data protection.

The business units, cross-entity departments and subsidiaries are responsible for their permanent internal control and risk management in compliance with the Group's Risk Management Charter.

Lastly, the efficiency of the entire system is periodically checked independently by the various internal audit services, and notably by the Group Audit Department.

Highlights in 2018

Launched in 2017, Le Groupe La Poste's "Servir le développement" programme in 2018 aimed to optimise structures and to modernise digital tools and communication. In this context, two service centres in the areas of global security and information systems were created, as well as two national departments in the areas of human resources and accounting.

As part of this programme, La Poste Legal Solutions has transformed its organisation and has started the transformation of its tools and processes for its legal experts, putting responsibility, team spirit and a service-oriented attitude at the heart of its corporate culture. In particular, it simplified its litigation and equity investments information system, which is now based on a single Group-wide tool (SlnerJ), meeting the needs of accountants and lawyers at the same time.

The Institute of Development was created to provide training courses to employees from in the twelve support functions, which were reaffirmed and reinforced by the "Servir le développement" programme. It joins and fills out the Institute of Management, created in November 2013, as part of the Group's training system.

Reporting to the Group's Human Resources Department, the HR Services Department was created to oversee the 72 HR service centres located throughout the country.

The Risk and Compliance Department of the Services-Mail-Parcels business unit was created and positioned under the responsibility of the Quality and Customer Satisfaction Department. In addition, the compliance system was strengthened with the signing of commitments with the French Competition Authority (Autorité de la concurrence) for the creation of the Recygo SAS joint venture.

GeoPost updated its Responsible Purchasing Charter, based on the principles of the United Nations Global Compact. It was sent to the Chief Executive Officers for deployment.

The year was marked by La Banque Postale's implementation of its risk appetite framework. In addition, the Permanent Control Department was placed under La Banque Postale's Risk Department.

Within the La Poste Network business unit, a new first-level permanent control system for the banking activities provided in post offices, developed with La Banque Postale, was rolled out and implemented across the country with the support of the risk management and control functions.

Following the entry into force of the European regulation on the protection of personal data, the Digital Services business unit set up the management of the declaration of its data processing procedures in order to comply with the regulations in force (its own processing or as a subcontractor).

2019 outlook

- In addition to its recurring missions, the Group Risk Department will continue to adapt the risk management systems to the organisational changes and will provide support as needed for the evolution of the internal control systems of the new entities and functions.
- New online learning and awareness raising modules will be developed and made available to all Group employees through the digital platform of its training institute.
- The risk managers in the Services-Mail-Parcels business unit (a function created in 2018) will benefit from a dedicated and mandatory training plan that specifically includes the training programme offered by the Group Risk Department. They will also be equipped with a new non-compliance risk oversight tool.
- The GeoPost business unit will continue its activities in terms of coverage of its acquisitions and will continue the deployment of its corruption prevention plan.
- La Banque Postale will continue to participate in the quantitative and qualitative impact studies conducted by the European Banking Authority as part of the preparatory work for the transposition into EU law of the December 2017 agreements finalising Basel 3, as well as in the reflections being conducted on the setting up of a European reporting framework.
- The La Poste Network business unit will focus in particular on strengthening the management exercised by the regional managers in regards to the monitoring of risks within their scope of responsibility, and will improve its risk mapping with a bottom-up risk identification approach.
- The permanent control system will be strengthened to take into account, on the one hand, the extension of the responsibilities of the area managers and changes in regulatory requirements, and, on the other hand, to adapt to the different typologies of the Network's retail outlets.
- Lastly, the Digital Services business unit will continue its change to ensure that the business unit's project managers implement data protection measures by design and include data protection measures by default.

9.2.4.2 Internal control and risk management mechanisms in respect of the Group's financial and accounting information

General principles for the oversight and governance of the accounting and financial function

The Group Finance and Development Department is responsible for coordinating work on the Group's strategy, and defining and implementing accounting, tax, financial and purchasing policy. It also oversees the Group's Investment Committee and is responsible for the governance and the architecture of the Finance Information System.

Internal control and risk management procedures regarding the reliability of the accounting and financial information

Group financial statements

Accounting policies and standards

The parent company financial statements and the consolidated financial statements are prepared by the Group Tax and Accounting Department based on financial statements prepared locally and restated according to the Group's standards.

This department also determines the Group's overall results and prepares all tax returns of La Poste's tax group.

The closing of monthly, half-yearly and annual accounts systematically results in the establishment of a detailed work timetable and schedule, formalised through accounting revision and consolidation instructions sent to the subsidiaries and La Poste. When half-yearly and annual accounts are closed, files allowing analytical screening of accounting and financial information are prepared for both the holding companies and La Poste. La Poste and the subsidiaries use consolidation software with a standard format of accounting bundles respecting the manual of Group accounting principles. A specific tool is used to reconcile intercompany transactions.

In terms of control, the Group Tax and Accounting Department provides an analysis of the difficulties encountered during the production phase of parent company and consolidated financial statements in order to continuously improve the production and analytical process.

Accounting and Tax Committees meet regularly to monitor the quality of the individual and consolidated financial information.

Internal control of accounting quality and risk management within the Group

The internal control process implemented by the Tax and Accounting Department serve to ensure that:

- all persons contributing to the production of the parent company and consolidated financial statements are aware of the accounting principles and IFRS guidelines;
- material options are taken by the Group's Executive Management knowingly. Difficulties in applying accounting policies are anticipated to allow normal application;
- accounting and consolidation tools work satisfactorily and guarantee the smooth running of the consolidation process;
- the adapting of the financial statements of the various entities in line with IFRS is subject to accounting procedures for the proper measurement of the necessary restatements;
- all intercompany transactions are eliminated in the Group's consolidated financial statements;
- all financial information necessary for the establishment and analysis of the consolidated financial statements are properly entered into the consolidation system within the time limit set by the Group's Finance and Development Department;
- the parent company and consolidated financial statements are justified and explained by virtue of the existence of an audit trail;
- the processing of information from the consolidation tool provides a reliable and comprehensive document presenting the parent company and consolidated financial statements within the time limit imposed by the Group's governance;
- the compiling of information from the consolidation system and various information about the workflow of the period serves to establish a fair and appropriate picture of the financial statements for presentation to the various components of the Group's governance within the time limits it sets;
- the "Datafinance" tax platform guarantees the smooth running of the tax declaration process.

Internal control of the accounting function is based notably on a detailed analysis of the risks and a formalisation of the process through explanatory and detailed closing procedures, manuals setting out the Group's procedures, notes bearing on doctrine and accounting regulations shared with entities, and detailed internal procedures.

The Group's Tax and Accounting Department is developing a system within the Accounting Compliance Committee with the following objectives:

- obtaining the assurance of improved quality and efficiency of financial information;

- improving risk coverage via internal control systems, based on tighter management of the internal environment of the accounting and financial function;
- providing reasonable assurance as regards the efficiency with which the finance function performs its assignments.

The Group's financial control

The management process has three major stages: a financial planning stage, a forecast or infra-annual estimate stage and a performance stage, which gives rise to an exchange of information between the business units and sub-groups and the Group's financial control function. The results of each of these stages give rise to a presentation before the Chairman and CEO and the Executive Committee.

In addition to the controls performed by the financial controllers during their normal activities on the data reported by the business units, support departments and sub-groups, particularly during the financial planning process and performance monitoring, the Group Financial Control Department now works on risk management objectives.

Communication of accounting and financial information

Each month, the Group's Chief Financial and Development Officer presents a dashboard to the Executive Committee. The dashboard summarises the financial data of all Group entities, derived from the reporting process, as well as physical and qualitative indicators.

The Statutory Auditors review and certify Le Groupe La Poste's consolidated financial statements and the financial statements of La Poste SA before they are released each year. They also conduct a limited review of the half-year consolidated financial statements for the six months to 30 June. Their findings are reported to La Poste's Audit Committee.

The Financial Communication Department is responsible for providing various external stakeholders with regular information and organising relationships with external contacts, including credit rating agencies, the AMF and bondholders. The "Our financial information" section of the www.groupelaposte.com website includes all the Group's regulatory and financial publications.

Internal control and risk management procedures relating to the reliability of accounting and financial information implemented within the Group entities

Following the implementation of the "Servir le développement" (Serve the development) programme in 2018, the National Accounting Department, reporting to the Group's Director of Accounting and Taxation, combines under its authority all of La Poste's accounting departments in France. It operates services in the field of production and accounting audit especially for the "Services-Mail-Parcels" and "La Poste Network" business units.

The Finance and Development Department of the Digital Services business unit is tasked with steering its accounting and financial information and implementing appropriate procedures in connection with the Group's Finance and Development Department.

- Within La Banque Postale, responsibility for the preparation and processing of accounting information belongs to the La Banque Postale Accounting Department. Its key roles include establishing the rules and ensuring the production and reporting of quality accounting information, calling for this purpose on the Bank's accounting function.

The Accounting Department defines and coordinates first- and second-level audit plans, and monitors their implementation. Permanent internal control is performed as follows:

- First-level controls:

The operational accounting departments of the Bank's financial centres, national centres, management teams of the Financial Transactions Department, accounting and general services provide first-level controls of the accounting information. Audit plans are reviewed on the basis of risk analysis carried out during control work and the preparation of accounts.

- Second-level controls:

Accounting controllers perform second-level controls relating to accounting information in the form of regular cross-entity controls to ensure the quality and completeness of first-level controls carried out within the operating entities. These checks are documented by summaries by cycle, and are backed up by a dashboard covering all control cycles (retail banking accounting, market operations and general services).

The Accounting Department also coordinates the companies comprising La Banque Postale through specific consolidation instructions.

Accounting information is transmitted to the department in charge of ALM management which coordinates the production of the registration document and relationships with investors and credit rating agencies.

- GeoPost's financial information is processed on the basis of control standards applicable to all subsidiaries and a common tool for reporting and consolidation.

GeoPost's Finance Department performs management control, centralised cash management, accounting and taxation assignments. The responsibilities of management controllers are broken down by subsidiary and priority process, and integrate permanent control reviews of the operating entities' financial processes.

Each subsidiary has dedicated financial and accounting procedures, whose resources vary in line with its size, and its own accounting software.

Accounting and financial reporting between subsidiaries and GeoPost's Finance Department includes:

- in management control terms, monthly financial reporting on each component of operating income, incorporating an identification of risk factors liable to affect the achievement of the objective. Monthly reports on the quality of service and safety are complemented by weekly volume reports;
- in accounting terms, the closing of the consolidated financial statements each month is performed in accordance with accounting standards established by Le Groupe La Poste.

GeoPost's Finance Department presents monthly reports of the economic situation of GeoPost and its subsidiaries to the business unit's Executive Management Committee, and performs its analysis on changes in respect of budget targets.

When its accounts are closed, GeoPost's Finance Department checks the consistency of the figures submitted to it by each subsidiary. The Boards of Directors of the various subsidiaries close their own annual accounts and the consolidated financial statements are presented to GeoPost's Board of Directors.

- Within the Real Estate Division, internal control procedures relating to the preparation and processing of financial and accounting information are implemented by Poste Immo's Performance Department.

The reliability of the financial information is guaranteed in part by the controls performed in the Real Estate Shared Service Centre (*Centre de service partagé immobilier* – CSPI), as well as by consistency checks made by the teams in charge of centralising accounts at the head office.

When accounts are closed, the accounting information is subject to accounting reviews with Le Groupe La Poste management control and financial control staff.

The half-year financial statements are approved by the Audit Committee and the Board of Directors.



REVIEW OF THE FINANCIAL POSITION AND RESULTS

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10.1 Highlights

10.1.1 ECONOMIC AND FINANCIAL ENVIRONMENT

Considering its positioning within the services industry, the Group is influenced in its various businesses by the economic environment and by changes in labour costs, notably in France. Oil prices and exchange rates, in particular in relation to the US dollar and the pound sterling, also have a significant impact on the Group's logistics and international business (in light of GeoPost's strong presence in the United Kingdom). Lastly, the Group's banking activities are sensitive to changes in interest rates and, to a lesser extent, changes in the financial markets.

An international economic and political environment marked by significant uncertainty

2018 was marked by numerous uncertainties (trade tensions, especially between the United States and China, currency depreciation in several emerging economies beginning in the spring and deepening in the summer, a power struggle between the Italian government and the European Commission over the proposed budget, and long and fastidious discussions with uncertain outcomes regarding Brexit).

Financial markets experienced a marked increase in volatility, with a difficult year for stock markets on the heels of outstanding performance in 2017. Investors also feared that the US economy, which continued to grow steadily in 2018 (nearing 3%) thanks to tax cuts for households and businesses, was running out of steam. The low unemployment rate is starting to induce a rise in wages that could accelerate inflation and therefore lead to a more pronounced tightening of monetary policy. A rise in US long-term rates in early February and early October triggered two market correction periods.

In China, a slight slowdown in growth led the authorities to soften monetary policy and to initiate budgetary and fiscal stimulus measures for fear of exports being impaired by the rise in US custom duties. Among other large emerging countries, the year was marked by the election of a new President in Brazil, whose economic programme was largely well received by investors. In Russia, the economy remained driven by strong oil prices for a large portion of the year. Lastly, India continued to experience strong growth; however, the trade balance deteriorated due to the rupee's depreciation during the third quarter and the increase in energy costs.

Marked slowdown in growth in the Euro zone

Euro zone growth, which was between 2.5% and 3% throughout 2017, weakened from the beginning of 2018 trending down toward 1.8%. Business outlook surveys continuously recorded a deterioration in the business climate, particularly in the industrial sector.

Numerous factors weighed on Euro zone growth over the last few months: impact of higher oil prices on household purchasing power until the autumn, impacts of a still strong euro against many currencies other than the US dollar (pound sterling, emerging country currencies), cooling global economic growth, vulnerability of the Italian economy, and disruptions in automotive manufacturing in Germany during the third quarter with the entry into force of new anti-pollution standards in early September.

Outside the Euro zone, Poland continued to experience strong growth in 2018, with a 5% increase in GDP over one year in the third quarter. It remained buoyed by consumption (momentum in the labour market, higher wages) and investment, with the support of the European structural funds. Nevertheless, the business climate deteriorated during the second half of the year, especially in the industrial sector.

In the United Kingdom, political uncertainty remained high with the approach of Brexit scheduled for March 2019. Although weaker when compared to its previous trends, growth nevertheless showed resilience. The Bank of England has been hesitant. Inflation and a rise in wages in excess of 2% per year persuaded it to increase its key interest rate in August. Nevertheless, uncertainty regarding Brexit and the economic outlook persuaded it to subsequently retain the status quo.

Several impediments to French growth arose throughout 2018

After a very good year in 2017 (average annual GDP growth of 2.3%⁽¹⁾), growth dropped sharply in the first half of the year. Increases in the price of tobacco, energy prices and taxes (higher taxes on diesel, increase in the CSG (general social security contribution) only partially offset by the first decrease in social contributions for employees) weighed on households' purchasing power, which contracted sharply in early 2018. In addition, exports were negatively impacted by significant deliveries of aeronautical equipment at the end of 2017. More fundamentally, they have undoubtedly also suffered from the previous strength of the euro and a slowdown in the demand for industrial products. Transport strikes also

(1) Final data on national accounts published on 30 May 2018, adjusted for business days.

had a negative impact on business in the spring. The real estate market contraction proved to be another impediment, despite a continuing upward trend in housing prices. The third quarter nevertheless saw a rebound in growth, particularly supported by resurging consumption. Due to a tax schedule more favourable to households in the second half of the year (second decline in employee social contributions, partial reduction in housing tax), household expenditures were expected to remain high at the end of the year. However, social tensions had a negative impact on business activities beginning at the end of November. In addition, the decrease in unemployment stopped in the middle of the year with slower net job creation. In total, GDP grew by 1.5% in 2018.

A renewed drop in oil prices in the autumn followed a sharp increase

On oil markets, the return of US sanctions against Iran led that country's exports to plummet. At the same time, production in Venezuela collapsed due to the country's full-blown crisis. As a result, operators became alarmed about the worldwide supply of crude oil. They also doubted the desire or capacity of the great oil-producing countries (Saudi Arabia, Russia and the United States) to offset this reduced supply by increasing their production. Accordingly, the price per barrel experienced a sharp increase during a large portion of 2018, reaching a peak of \$85 per barrel in early October (compared to less than \$50 in June 2017). Operators' expectations were then suddenly upended. They began a downward revision of the outlook in demand, based on mounting doubts regarding global economic growth in view of trade tensions between China and the United States. Supply assessments were concurrently revised upward, particularly due to sustained US production. The price of the Brent North Sea barrel thus once again decreased below \$60 in early December. In December, to curb this decline, OPEC and other producing countries, including Russia, ended up agreeing to reduce their production. The price per barrel reached an average of \$57 during the last month of the year.

Renewed inflation in the Euro zone due to higher energy prices

Beginning in April-May, changes in oil prices provoked a sharp increase in energy prices, with a peak at over 10% year over year in October, prior to crude prices reverting downward on international markets. Year over year changes in consumption prices in the Euro zone therefore accelerated beginning in the spring, to reach 2% in the autumn prior to slightly ebbing back (1.6% in December). Underlying inflation (excluding energy and food), however, remained low, at 1%, despite stronger growth in wages. French inflation also strengthened during 2018 (1.6% year over year in December), due not only to energy prices but also to the rise in tobacco prices. Underlying inflation (which excludes taxes), however, remained very moderate (below 1%).

Interest rate increases in the United States but nearly none in the Euro zone

Across the Atlantic, the continued gradual normalisation of the Federal Reserve's monetary policy and progressively stronger inflation spurred an increase in the rate of 10-year US Treasury notes. However, the rate weakened at the end of the year in a climate marked by a strong aversion to risk. In total, it gained around 40 basis points over the year, reaching 2.8% in December. On the other hand, in the Euro zone, the corresponding rates remained very low as the weak underlying trend of inflation persisted and economic growth slowed noticeably. Above all, in June the ECB declared its intent to not increase its key interest rates before the end of the summer of 2019. In addition, its securities purchases continued to weigh down interest rate levels, even if it decreased their amount with a view to ending them in early 2019. Furthermore, the plans of the Eurosceptic parties elected to power in Italy resulted in a power struggle with the European Commission. Fears regarding the budget situation led a number of investors to avoid Italian securities, which caused a spike in the rates of Italian government bonds in the spring. The reallocation of investment portfolios benefited the government bonds considered the safest by investors, such as the German Bund and the OAT, whose yields declined in May-June, and again beginning in October. In December 2018, the German Bund yield remained lower than its level one year prior (0.26% versus 0.36% in December 2017). There was also hardly any rise in the 10-year OAT rate (0.70% in December 2018 versus 0.68% one year prior), despite a small year-end difference with its German equivalent following social tensions in France.

For their part, interbank interest rates in the Euro zone stayed virtually unchanged during the year and remained negative as a result of the monetary policy pursued by the ECB. The ECB maintained its interest rate at -0.4% on commercial bank deposits with the central bank, currently the true key rate for the Euro zone. Consequently, the Eonia stagnated slightly under -0.35%. The 3-month Euribor remained very close to its 2017 level at an average of -0.32% over the year.

Stock market turbulence

The main stock markets experienced two significant corrections during the year. At the end of January, fears of accelerating inflation associated with a more pronounced rise in wages and the uncertainties created by trade tensions put an end to the bull markets of 2017. Similar causes triggered a new decline in early October. Across the Atlantic, the Standard & Poor's 500 and the Nasdaq recorded downturns of 6.2% and 3.9% respectively between 31 December 2017 and 31 December 2018, despite a strong increase in corporate results caused by the tax cuts implemented as part of Donald Trump's economic stimulus plan (earnings per share of the largest US companies grew by around 25% in 2018). The European indices also experienced negative impacts due to slowing economic growth. Accordingly, the CAC 40 dropped by 11% to 4,731 points at the end of December. A very sharp downturn in the stock markets of emerging countries was also recorded (-17% over the year for the MSCI Emerging Markets, denominated in US dollars), following a strong showing in 2017.

Increase in the US dollar, weakening of the pound

After falling in 2017, the dollar recovered against the euro and many other currencies. This correction was favoured by the continued robust growth in the United States and, consequently, the prospect of a further increase in the Fed's key interest rate. In particular, the short and long-term interest rate gap widened compared with the Euro zone. In addition, the European currency was penalised by slowing economic activity in the Euro zone and by the resurgence of political risks (tensions between the Italian government and

the European Commission, divisions within Europe caused by the migrant crisis). The prospect of a very slow normalisation of the ECB's monetary policy also played a role. After having risen to nearly \$1.25 in early February, the euro subsequently weakened to an average of \$1.14 in December.

The pound sterling fluctuated throughout the year depending on Brexit news. At the end of the year, the postponement of the British Parliament's vote on the draft agreement reached between the British and European Union negotiators led to a decline in the pound, which ended the year at £0.90 for one euro (£0.88 in December 2017).

10.1.2 REGULATORY ENVIRONMENT

Banking environment trends

The banking environment was marked by:

- the Decree of 12 February 2018 regarding the centralisation of deposits collected for the Livret A savings account (LA) and the Sustainable development savings accounts (LDD). This decree eliminates the option of fully centralising the deposits collected under the Livret A and the Sustainable Development savings account and specifies the procedures for returning the amounts deposited at Caisse des Dépôts, beyond the 60% legal requirement. These provisions have the practical effect on La Banque Postale of gradually decentralising the LA and LDD outstandings, which should occur over the next ten years, when only 60% of outstandings will be centralised at Caisse des Dépôts. La Banque Postale currently has approximately €70 billion in deposits in LA and LDD savings account;
- the mandatory application of IFRS 9 to financial instruments effective 1 January 2018, adopted by the European Union under Regulation (EU) No. 2016-2067 of 22 November 2016. This new standard defines new rules for the classification and measurement of financial instruments, the impairment of the credit risk of financial assets, and for hedge accounting, excluding macro-hedging transactions. IFRS 9 is based on three priorities:
 - a single, logical approach to the classification and measurement of financial assets that reflects the business model within which they are managed, as well as their contractual cash flows,
 - a single new model for the impairment of financial assets, that is prospective, and based on expected losses,
 - a markedly simplified approach to hedge accounting.

Signing of the 2018-2022 Public Service Agreement

In order to define the objectives, the procedures for carrying out the four public service tasks assigned to La Poste and the commitments of each of the parties, the French State and La Poste concluded a multi-year Public Service Agreement. The new 2018-2022 contract, negotiated throughout 2017, was approved by the La Poste Board of Directors on 19 December 2017, and signed on 16 January 2018.

- Regarding the universal postal service mission, the Public Service Agreement strengthens the monitoring of the quality of service through new indicators, the monitoring of user satisfaction, and the performance of the industrial facilities.

The purpose of this change is to provide a renewed quality of service procedure that better reflects customer expectations in regards to universal service, and which was adopted by the Decree of 12 September 2018 pertaining to the quality of service objectives set for La Poste for 2018, 2019 and 2020.

- Regarding its regional planning responsibilities, on 11 January 2017 Le Groupe La Poste, the French State and the French Association of Mayors and Presidents of Inter-Communal Consortia signed the local postal coverage agreement for 2017-2019.

La Poste receives compensation from the French State in the form of a deduction in local taxes (up to 95% of the amount normally paid).

On 6 April 2018, the European Commission announced that the tax allowance granted to La Poste to ensure a high level of postal coverage in France, which could reach approximately €900 million for the duration of the 2018-2022 Public Service Agreement, complies with the European Union regulations pertaining to State aid.

Pursuant to Decree No. 2011-849 of 18 July 2011, Arcep estimated that the net cost of the additional network enabling La Poste to perform its regional planning mission amounted to €203 million for 2017 (Decision No. 2018-1136 of 20 September 2018).

Following the referral to Arcep, the High Commission for Digital and Postal Services (CSNP) issued a favourable opinion on 6 December 2018⁽¹⁾ on the draft report submitted by Arcep to the French government and Parliament on the net cost of this mission in 2017.

- With regard to the banking accessibility mission, in respect to the specific obligations incumbent upon it in terms of distributing and operating Livret A savings accounts, La Banque Postale receives annual compensation that is complementary to the compensation of the collection common to all distributing establishments.

This compensation is set for the 2015-2020 period by the Decree of 4 December 2017 to amend the Decree of 26 February 2015 made in application of Article R. 221-8-1 of the French Monetary and Financial Code.

On 24 October 2017, the European Commission estimated that this compensation granted by France to La Banque Postale, amounting to €1.83 billion over six years (2015-2020), did not exceed the net cost caused by the fulfilment of the public service obligations and complied with EU state aid rules.

- In regards to the press mission, the 2018-2022 Public Service Agreement foresees the allocation of the following amounts in respect of the French State's contribution to press transport and delivery: €121 million in 2017, €111.5 million in 2018, €103.8 million in 2019, and €95.9 million in 2020. In a decision dated 24 January 2019, the European Commission declared the offset of the public service mission of press transport and delivery paid by the French State to La Poste for the 2018-2022 period to be compatible with the internal market⁽²⁾.

The Public Service Agreement High-Level Monitoring Committee, chaired by the Secretary of State in charge of Industry under the Minister of the Economy and Finance, met for the fifth year in a row on 30 November 2018, in the presence of Le Groupe La Poste's Chairman and Chief Executive Officer and executives, as well as stakeholders such as trade unions, consumer associations and the postal sector regulator. During this meeting, the Monitoring Committee mentioned the French State's, La Poste's and all of the stakeholders' commitment to carrying out and ensuring the sustainability of the public service missions entrusted to Le Groupe La Poste during a period when its economic environment is undergoing substantial change. The foundations of the banking accessibility mission and the importance of the specific needs that it satisfies were the subject of a special examination.

Pricing adjustments for mail and parcels

Price increases for domestic, overseas and international mail and parcels took effect on 1 January 2018 after Arcep issued a favourable opinion (No. 2017-1227) on 17 October 2017.

All these changes comply with the pricing provisions set by Arcep Decision No. 2017-1101 of 19 September 2017 for 2018, and consequently amending Decision No. 2014-0841 of 22 July 2014 regarding the 2015-2018 multi-annual price caps. This amendment is the result of the public consultation conducted from 26 June to 26 July 2017 by Arcep, which adopted a new decision regarding the accounting rules for the fixed costs of delivery (Decision No. 2017-1100 of 19 September 2017).

Accordingly, on 1 January 2018, mail prices increased by an average of 4.7%⁽³⁾ and the prices of parcels sent domestically by private individuals by 1.5%⁽⁴⁾. As the *Lettre Verte* (green mail), more economical and eco-friendly, is the main point of reference for normal mail for private individuals, La Poste decided to solidify its price advantage over priority mail by 15 cents compared to 12 cents in 2017. The price for the first weight tranche for the *Lettre Verte* (green mail) therefore increased from €0.73 to €0.80, while that of Priority mail increased from €0.85 to €0.95.

After the completion of the work started in the first half of 2017 and the public consultation conducted between 26 September and 18 October 2017, Arcep adopted Decision No. 2017-1252 of 26 October 2017 relating to the multi-annual programming characteristics of the prices of the universal postal service for the 2019-2022 period. This mechanism takes over from the price caps established in Decision No. 2014-0841 of 22 July 2014 for the 2015-2018 period. This decision caps the average annual increase in prices to 5% in nominal terms within the scope of the universal postal service, contrary to the mechanism in force for the 2015-2018 period, which allowed a modulation of increases over the period.

La Poste thus carried out price adjustments on 1 January 2019 as it did in 2018 (4.7% on all mail products and 1.4% on domestic parcels for private individuals)⁽⁴⁾. It increased the price advantage of the *Lettre Verte* (green mail) to 17 cents (€0.88 in 2019 up to 20 g) in relation to Priority Mail (€1.05).

Non-pricing adjustments for mail and parcels

On 1 January 2018, La Poste upgraded its "Publissimo" range, offering a universal service for the delivery of newspapers and periodicals. This has been enriched with a new two-day delivery service in line with customer demand.

(1) Opinion No. 2018-03 of 6 December 2018.

(2) http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_48883

(3) 4.9% on average based on postal services revenue giving rise to traffic.

(4) 5% on all universal service products (mail and parcel).

In accordance with the commitments proposed by La Poste for the 2018-2022 Public Service Agreement, and in the pursuit of its upmarket strategy, La Poste modified its universal service catalogue on 1 March 2018. This change enhances the range of services offered to customers who can tailor their purchase to their needs. La Poste offers a tracking option on domestic regular single-piece deliveries and integrates within the universal service the existing option of tracking international regular single-piece deliveries for businesses (International Business Mail and International Business Parcel) and Export Tracking.

At the same time, La Poste eliminated its "Sac M" (M Bag) offer, which allowed customers to send to a single address a bag of homogeneous mail items weighing between two and twenty-five kilograms at the "economic" service level. The offer no longer met the needs of customers, neither in terms of its characteristics nor its price point.

Change in public service offers for the press transport and delivery mission

Effective 1 November 2018, La Poste enhanced the catalogue of services offered as part of the press transport and delivery mission. For publications with a circulation too small or insufficiently concentrated to benefit from the price reductions for thin packaging ("postman direct bundles" or "postal code direct bundles"), it created the "PIC sorted bundles".

This offering is the result of the commercial and industrial work carried out by press publishers and relies on the machine sorting capacities of the Industrial Mail Platforms (PIC).

It is available to nearly all the publications with four-day and seven-day delivery that do not receive the preferential prices reserved for political and general information publications. This offer is in line with the recommendations made in 2015 by Arcep in its Opinion No. 2015-0831 to the French government on press costs. This offer was approved on 30 October 2018 by the French Minister of the Economy and Finance following Arcep's Opinion No. 2018-1205 dated 1 October 2018.

Publication of the European Regulation on the cross-border parcel delivery market

On 25 May 2016, the European Commission published a proposed regulation regarding cross-border parcel delivery services to improve price transparency and strengthen the power of regulatory authorities.

The adopted regulation was published in the Official Journal of the European Union on 2 May 2018⁽¹⁾. It establishes monitoring procedures over this booming market. The text gives new powers to the national authorities. Arcep will be responsible for collecting information on the parcel market from all parcel delivery providers, and evaluating parcel fares for universal service operators. As such, the implementing regulation⁽²⁾, which specifies the forms for the presentation of information by parcel delivery service providers under the parcel regulation, was adopted on 20 September 2018. Guidelines⁽³⁾ establishing an evaluation methodology for these cross-border parcel delivery prices for universal service operators were published on 13 December 2018. Le Groupe La Poste will provide Arcep with the corresponding data starting in 2019 as part of the implementation of this regulation.

10.1.3 STRATEGIC EQUITY ALLIANCE PROJECT BETWEEN LA POSTE AND CAISSE DES DÉPÔTS

On 30 August 2018, within the framework of the PACTE Law, the French Minister of the Economy and Finance announced its intention to create a major public financial division serving the regions, involving Caisse des Dépôts (CDC) and La Poste.

This project, of a general interest nature, is consistent with the fundamental mission of La Banque Postale to ensure banking accessibility, as it aims to reinforce regional cohesion and fight against regional divides by enabling the whole population of France to gain access to high-quality innovative financial services.

This project is part of La Banque Postale's transformation plan and contributes to the pursuit of its strategic objectives: building a large and diversified bancassurance group. Relying on the expertise of its partners, La Banque Postale would offer a range of banking

and insurance products and services that are increasingly simple, accessible and transparent.

This project would be implemented by means of a contribution by CDC and the French State to La Poste of their stakes in the capital of CNP Assurances, with La Poste subsequently contributing the stakes to La Banque Postale.

This transaction will be the subject of an information and consultation procedure involving the competent staff representation bodies. Its implementation is dependent on the French Parliament adopting the PACTE Law and on the necessary authorisations being obtained from the French, European and foreign independent administrative authorities.

(1) Regulation (EU) 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

(2) Commission Implementing Regulation (EU) 2018/1263 of 20 September 2018 establishing the forms for the submission of information by parcel delivery service providers under Regulation (EU) 2018/644 of the European Parliament and Council.

(3) COM(2018) 838 final - Communication from the Commission on guidelines to national regulatory authorities on the transparency and assessment of cross-border parcel delivery tariffs pursuant to Regulation (EU) 2018/644 and Commission Implementing Regulation (EU) 2018/1263.

10.1.4 DEVELOPMENTS, PARTNERSHIPS AND ACQUISITIONS

10.1.4.1 Services-Mail-Parcels

Purchase of a controlling interest in Asendia

La Poste and Swiss Post created Asendia in 2012, a joint venture initially held 50/50.

In 2018, La Poste increased its interest in Asendia by raising its equity investment from 50% to 60%, with Swiss Post holding the remaining 40%. This move reflects La Poste's desire to build on the strong growth of the cross-border e-commerce (mail and small parcels) market as a means of furthering its international expansion.

Asendia has successfully increased its presence in 15 countries in Europe, North America and Asia. eShopWorld, an Irish company owned by Asendia, offers a global technological infrastructure facilitating international trade for the largest brands. As at 31 December 2018, the company achieved €957 million in revenue.

Acquisition of Diadom

To contribute to ageing well, La Poste strengthened its presence in the home care services segment with the October 2018 acquisition of Diadom, the leader in urology and stomatherapy. Diadom provides well-known solutions and expertise in providing care, the delivery of materials, and the monitoring of patients in urology, neuro-urology and stomatherapy. As at 31 December 2018, the company achieved €31 million in revenue. La Poste will contribute its logistical and human network to Diadom to ensure the delivery of supplies and medical materials.

La Poste is thereby continuing its development strategy in the Silver economy to simplify life at home for senior citizens and to market its comprehensive range of home services for private individuals.

Commercial launch of RECYGO

In March 2018, La Poste and SUEZ launched their joint venture, which specialises in the collection and recovery of office waste, through the creation of the recygo.fr website, the first online sales site for office waste collection and recycling solutions. This joint venture aims to make waste sorting accessible to all offices throughout France, by contributing to the implementation of the *Loi de Transition Énergétique* (Energy Transition Law).

Mail tracking offer

On 1 March 2018, La Poste launched a "tracking" sticker that can be affixed to any mail item from private individuals, regardless of the level of service (priority, economic, etc.). This new service, sold at €0.40, provides the customer with online information on the

routing and delivery of mail using the sticker and enables La Poste to strengthen the modularity of its offer.

10.1.4.2 GeoPost/DPDgroup

GeoPost, an international player on the express parcel market and number 2 in Europe via its DPDgroup network, is continuing its international development strategy.

Acquisition of new SEUR franchises

Already present in several cities in Spain, the network continued its growth through the integration of two new franchises in January 2018: Burgos in Castile and Leon and Logroño on the Ebro river in Northern Spain.

At the end of December 2018, GeoPost held 94% of the franchisor SEUR.

Acquisition of the ALP group

Chronopost, a subsidiary of GeoPost in France, concluded in December 2017 the acquisition of 100% of the share capital of the ALP group, made up of the Delifresh ("last mile delivery" of temperature-controlled food products), Freshlog (cold storage and food order preparation) and 360° Services (urgent medical transport and hospital waste transportation) subsidiaries. This acquisition, which entered into effect in the first half of 2018, enables Chronopost to continue the development of Chronofood in the field of controlled temperature transport.

Creation of a partnership between Chronopost and the Chinese logistics leader, SF Express

Chronopost, the French specialist in the express delivery of parcels under 30 kilos, and SF Express, a Chinese logistics leader, signed a trade agreement in June 2018 aiming to improve the quality of service and transit time from France to China, a fast-growing market.

Partnership between Le Groupe La Poste and Casino to develop new express urban delivery services

On 27 February, the Casino group and Le Groupe La Poste announced that they were strengthening the partnership initiated with Franprix in Paris in 2015. Delivery services will be performed by two DPDgroup subsidiaries, Chronopost and Stuart, the express urban delivery platform, to a large portion of France.

Cdiscount is finally rolling out the delivery by appointment service, Chrono Precise by Chronopost, on Sundays in the 15 largest cities in France. To meet customer expectations for express delivery, Chronopost and Stuart have developed a new express delivery service: delivery within a 30-minute time slot, which is being offered to Cdiscount customers in Paris since 25 June.

For its part, after Paris, Franprix extended its accessible express delivery service to Lyon, using its Franprix mobile application, on 27 February. Stuart makes the delivery in less than an hour.

Monoprix, the main player in home delivery in France (3 million deliveries per year) expanded its delivery service to Sundays in some 50 stores (in Paris and in international tourist areas). The majority of these deliveries are completed by Stuart.

Multiple innovative urban logistics initiatives

The development of urban logistics is continuing through initiatives within GeoPost.

Located in the 12th arrondissement of Paris, the Paris-Bercy site is the third Urban Logistics Area deployed by Chronopost in inner Paris, after the Concorde and Beaugrenelle areas. It extends over an area of 4,000 square metres.

DPDgroup is planning the future of delivery and thinking about usage scenarios by contributing to the Renault EZ-PRO autonomous car concept unveiled by the Renault group during the IAA Commercial Vehicles show in Hanover.

A year after the official launch of bicycle parcel delivery in Nuremberg – part of the pilot project conducted under the technical supervision of the Nuremberg Institute of Technology – DPD Germany has delivered 80,000 parcels by bicycle to date, without any polluting emissions.

DPD Poland is installing micro-depots for local delivery in the main Polish cities, thereby curbing congestion in city centres and providing a more efficient return service. This deployment is accompanied by a unique initiative involving the creation of fitting rooms in these urban depots to enable recipients to try on the items ordered and to immediately return them if they are not suitable.

In October, DPD UK opened the first entirely electric parcel depot in the heart of Westminster, with the capacity to deliver 2,000 parcels per day thanks to its fully electric fleet, thereby reducing CO₂ emissions by 45 metric tonnes per year. It has announced its objective of opening seven additional fully electric parcel depots in the British capital.

Continued growth of pick-up and drop-off points

DPDgroup holds a 32.3%-interest in Ninja Van, a last mile specialist. It now offers, thanks to a partnership with the Lazada e-commerce site and the 7-Eleven supermarkets, simplified delivery solutions

to Singaporeans, enabling them to receive their parcels in one of the 350 participating 7-Eleven stores on the island.

Thanks to a partnership with SAKZA, a sports and lottery games company, DPD CZ has expanded the number of Pick-up points to 1,000 on Czech territory. The 750 stores best suited to being pick-up and drop-off points were selected, including 700 that are open 24/7. The number of deliveries via these points should reach 10% of all deliveries in future. At the end of the year, the European Pick-up network thus exceeded 40,000 pick-up and drop-off points.

JadLog, one of the main parcel logistics experts in Brazil, accelerated its offering in the BtoC segment. To this end, it launched the first pick-up and drop-off point network in the country, with 2,700 points at the end of 2018, making it the densest network in Latin America. This new offering contributed to the boom in parcel traffic, with volume up by 40% compared to 2017, and made it possible to acquire over ten new major accounts.

Chronopost France presents Léonard, its smart chatbot

To consistently improve customer support, Chronopost is developing Léonard, a chatbot that facilitates navigation for Internet users and enhances their experience. This chatbot, or chat agent, is a robot that uses artificial intelligence technology. Léonard continuously answers the main questions addressed to it in real time, day and night, which significantly reduces the workload of the customer service department.

10.1.4.3 La Banque Postale

Purchase of a controlling interest in Goodeed

On 21 March 2018, La Banque Postale proceeded, via KissKissBankBank, to the acquisition of 59% of Goodeed, the digital platform for private donations to NGOs and solidarity-based organisations funded by advertising. At the end of December 2018, KissKissBankBank held 69.6% of Goodeed. With this acquisition, La Banque Postale is reinforcing its development strategy on innovative and civic-minded digital services to mobilise millions of donors to finance solidarity-based projects. The Goodeed community has almost 260,000 users, 80% of whom are under the age of 35, and who, with 13.5 million free donations, have already funded more than 110 projects.

La Banque Postale Asset Management strengthens its ties with Tocqueville Finance

Tocqueville Finance, a leader in European stock picking management and a subsidiary of La Banque Postale, has announced its merger with La Banque Postale Asset Management (LBPAM). Following the approval of the market authorities, LBPAM holds a 97.7% equity investment in Tocqueville Finance Holding, which will

thus benefit from all the technical and technological infrastructure of its new shareholder (expertise in compliance, internal control, legal teams, risks, information systems, etc.).

Signature of an agreement for the acquisition of the 35% equity investment in La Banque Postale Financement held by Société Générale

La Banque Postale and Société Générale have signed an agreement regarding the acquisition by La Banque Postale of the 35% equity investment held by Société Générale in their joint venture, La Banque Postale Financement. The transaction, due to be finalised during the first half of 2019, was prompted by the upcoming expiry of the partnership, and will enable La Banque Postale to hold 100% of the capital of La Banque Postale Financement.

Created in 2009, La Banque Postale Financement became a centre of expertise in consumer loans for La Banque Postale, with nearly €5 billion in outstandings, and is based on a multi-channel delivery system (network, remote and digital channels) to market consumer loan products and services (personal loans, revolving loans, and credit consolidation) to La Banque Postale customers.

Société Générale will remain a partner of La Banque Postale Financement through the maintenance of service agreements for collections and borrower insurance, and, in a broader sense, a major partner for La Banque Postale, particularly with Transactis, a joint subsidiary specialising in electronic payment and transaction management.

Innovation and banking inclusion

At the second edition of the "Assises de la Banque Citoyenne" La Banque Postale presented its first actions for the roll out of its digital banking inclusion plan in more than 1,000 post offices and announced new development priorities:

- switchover of all assets managed by La Banque Postale Asset Management (LBPAM) to SRI management (socially responsible investment) by 2020. In June 2018, LBPAM launched the "SRI Conviction" range, which covers the main asset classes (equities, bonds, green bonds, money market);
- launch of a digital platform, in partnership with EDE (Économie D'Énergie), to advise and support individuals in their efforts to renovate their homes (energy assessments, determination of the amount of the energy savings bonus, simulation of the financing plan, and setting up relations with local artisans holding the RGA (Acknowledged Preserver of the Environment) label;
- the launch of Business Energies offering local banking solutions and services to support entrepreneurs in their life cycle.

Continuing digitisation of the offer

In 2018, La Banque Postale expanded its digital offering on several fronts:

- the deployment of new online products and services such as the Express Loan via Internet, "crédit pro express" to address the needs of very small businesses and the professional customer market, "EasyVie" launched by Easybourse (online life insurance), which won its first banking and insurance prize in June 2018;
- since February, SOFIAP's activity has expanded to two remote channels, telephone and Internet, for the allocation of loans to the civil servant customer segment and similar;
- the active preparation for the spring 2019 launch of Ma French Bank, a fully digital bank for the 18-25 age bracket. It will not impose any resource conditions for access and will offer useful and innovative banking services: loans, overdrafts, savings products, and crowdfunding with KissKissBankBank.

La Banque Postale is also innovating in the means of payment field to provide the most suitable solutions to all its customer segments, while guaranteeing payment security. Accordingly, services are still being expanded with:

- the launch of the "Paylib entre Amis" service which enables bank customers who use Paylib to send and receive funds without exchanging bank details;
- strengthening of biometry for greater account security through Touch ID, now available within the account management application;
- the October launch of an account aggregator for customers, including multi-bank customers, who can now use this tool to monitor their various accounts, thereby simplifying day-to-day account management.

10.1.4.4 La Poste Network

La Poste is continuing the transformation of its services offering thanks to the variety of its formats and is also launching innovative formats for specific types of customers, such as:

- the postmen-counter clerks format; more than 900 were deployed in 2018;
- an action plan was developed to improve the brand awareness of the 500 public service areas, which have experienced an increase in business. Over 150,000 consultations on partner sites were recorded in 2018;
- innovative formats have been created: two post offices adapted to the needs of travellers at the Paris-Orly and Paris-Charles de Gaulle airports, and tourist corner formats at Lyon-Bellecour and soon at Mont-Saint-Michel. A concept geared towards young people is also being tested in Rennes and in Nancy.

To support this transformation, recruitment and training programmes, thanks to École de la Banque et du Réseau, have been established permitting:

- 4,230 new hires and transfers, including 1,500 customer service managers and 1,850 banking advisers;
- access to training for 80% of employees;
- a significant investment in 1,700 social priority offices which resulted in a collective majority agreement on 20 June 2018. Measures for recognition, and for an organisation tailored to the specifics of these post offices, and for strengthening procedures to prevent uncivil behaviour have been implemented.

Lastly, as part of the fight against money laundering and the financing of terrorism, La Poste is increasing its vigilance on cash transactions in 2018. Following the phasing out of cash money order products in 2017, the ability to make a cash payment through third parties to the savings account of an individual (PPH) or a legal entity (PMO) was eliminated in March 2018. Tailor-made responses remain accessible to La Banque Postale customers.

10.1.4.5 La Poste Mobile

Diversifying products and services

To solidify its position as an operator "Mobile + Box", La Poste Mobile (LPM) launched its ADSL box on 28 May 2018 under its own brand. This gives LPM a comprehensive range to equip all households, especially the 30 million homes that do not yet have access to Very High Speed Internet.

10.1.4.6 Digital Services

Acquisition of Eukles

In January 2018, Docaposte acquired 100% of the French editor Eukles, an expert in electronic document management, in order to strengthen its expertise in digital transformation on the SME market. This also allows it to increase its network of delivery partners for micro-businesses, SMEs and key accounts. As at 31 December 2018, Eukles achieved €4.5 million in revenue.

Acquisition of Voxaly

In July 2018, Docaposte purchased 100% of Voxaly, a secure e-voting platform incorporating all available solutions for election management, General Shareholders' Meeting voting, and share ownership transactions. Docaposte has thereby consolidated its position as the electronic voting leader in France. As at 31 December 2018, Voxaly achieved €6.5 million in revenue.

Partnerships with Arrow and Elsan

Docaposte signed two new partnerships, with Arrow and with Elsan, in 2018.

Docaposte is developing its digital transformation activities in the healthcare field thanks to this partnership with Arrow, a pioneer in digital healthcare services and the leading digital platform for e-health services in France. Since 20 October 2018, this collaboration has resulted in the creation of the "electronic health booklet" via a national network of professionals.

Docaposte has also signed a national partnership with Elsan, a French leader in private clinics, in order to digitise and simplify the life of its 2 million patients per year.

10.1.4.7 Real Estate

Sale of La Boétie

The sale of the La Boétie site located in Paris' Central Business District was signed on 4 May 2018 with the purchaser BNP Paribas Real Estate Investment Management. This disposal took place following redevelopment work conducted by Poste Immo and leasing to a bank. Built at the end of the 1920s, the 11,000-square-metre office building was the subject of major modernisation works aimed at creating vast office spaces meeting the highest international standards in terms of workspace flexibility, natural lighting and environmental performance.

Development of the Louvre Post Office

The Louvre Post Office work site, managed by Poste Immo, aims to accomplish a deep transformation of this former industrial production site into an urban site. The renovation work is in progress. The building will provide nearly 32,000 square metres for a large, very diverse mixed-use project hosting the activities of La Poste, innovative services, commercial activities (offices, hotel, businesses), public services (police station, day care centre) and social housing. It will provide city access, with a network of public through-ways and a large open-air plaza. This project is based on a strong commitment to sustainable development.

10.1.5 BOND ISSUES

10.1.5.1 Issue of €750 million of perpetual hybrid subordinated notes

Le Groupe La Poste has made its first public issue of hybrid securities in euros. The securities, issued for an amount of €750 million and bearing an annual coupon of 3.125%, have a perpetual maturity and a first call date on 29 January 2026.

Being perpetual without an obligation to pay interest, under certain conditions, in compliance with IFRS, these securities are recorded in La Poste's equity. The rating agencies record 50% of these funds in equity and 50% in debt.

This transaction strengthens La Poste's balance sheet, supports its rating and helps the Group finance its development plan.

The securities were placed with 116 investors in Europe and are listed on Euronext Paris.

10.1.5.2 First Green Bond issue

La Poste successfully launched its first Green Bond issue for a total of €500 million, with a ten-year maturity and an annual fixed coupon of 1.45%.

The securities were placed with 104 investors, the majority of whom are already working with green finance in France and internationally. La Poste is thereby expanding its investor base and affirming its place in the bond market. Le Groupe La Poste is the first worldwide postal operator to issue on the Green Bonds market and is positioning itself as a key player in the energy transition.

The funds raised thanks to this transaction will permit the financing or refinancing of assets in three key areas: clean vehicles, green buildings, and renewable energy, in compliance with the stringent eligibility requirements defined in Le Groupe La Poste's Framework.

10.1.6 THE GROUP'S COMMITMENT TO RESPONSIBLE DEVELOPMENT

Le Groupe La Poste is developing a societal engagement policy that forms the core of the strategic plan "La Poste 2020: Conquering the future", and focuses on three key challenges:

- social and regional cohesion;
- ushering in ethical and responsible digital services;
- achieving environmental transitions.

10.1.6.1 Environmental transition

The 2018 financial year was marked by several important milestones in the transition towards a more sustainable and responsible model.

- Le Groupe La Poste initiated the construction work needed for its carbon trajectory by 2025, in line with the Science Based Target, and consistent with the Paris Agreement to remain below the two degrees Celsius mark.
- The Group renewed the supply contract for electricity from renewable sources for its entire real estate portfolio⁽¹⁾, followed

by the installation of photovoltaic panels (48,700 square metres in equipped surfaces resulted in the production of 6.2 GWh), and decided to launch eight studies on self-consumption of renewable energy in the regions.

- The Group has initiated the implementation of an Energy Management System (EMS) to support its efforts to continuously improve its energy efficiency.
- La Poste continued to deploy its fleet of electric vehicles, one of the largest in the world, which increased to nearly one quarter of all its vehicles in 2018 (24%).
- La Poste and SUEZ launched a joint venture (RECYGO), as well as recygo.fr, the first online sales website for office waste collection, sorting, and recycling solutions. The goal is to make sorting accessible to all companies to support the implementation of the Energy Transition law, and more particularly the "5 flows" Decree which concerns all offices with 20 employees or more.
- To support energy transition and a meaningful offering of savings products, La Banque Postale committed its main asset management subsidiary (LBPAM) to becoming the first management firm that is 100% SRI compliant in 2020.

(1) Except for a few subsidiaries.

In the area of urban logistics, which is expected to play a major role in the transition towards a responsible and more sustainable model, one that reconciles development and “better living in the city”, progress has been significant:

- La Poste has signed 14 agreements in 22 metropolitan areas for innovative urban logistics solutions. Through two full-scale experiments in Bordeaux, the Urban Logistics Centre of Tourville and the Local Logistics Centre in Fondaudège, it is demonstrating the relevance of a shared innovative logistics plan for low-emission transport in Bordeaux.
- Following a year of work, at the end of 2017, Le Groupe La Poste, with the support of Bordeaux Métropole, the French State and Caisse des Dépôts, established an urban logistics centre at avenue de Tourville to the north-east of Bordeaux, near the ring road. Located three kilometres from the downtown area and six kilometres from the very centre of town, this site naturally permits the use of a fleet with medium to low emissions for delivery. The time-share Urban Logistics Centre negotiated with the Port and the Métropole was inaugurated in June 2018. This site, equipped with 15 unloading docks, brings together the activities of DPD, Chronopost and Colissimo. It also reduces the impact of land use, and develops the parcel activity, while helping to reduce emissions of pollutants.
- To facilitate the supply of the shopping street and to offset the loss of customers due to work on tramway line D, the Bordeaux Chamber of Commerce and Industry and the Bordeaux Métropole decided to establish a Local Logistics Area. This Local Logistics Area, operated by the Group, delivers around 3,000 parcels per month and completes around a hundred home deliveries. These deliveries are made in clean mode by the local partners, Atelier Reménagement and Chrono Logistic System. Associated services are performed thanks to the work of Group subsidiaries, such as Pickup Services for making purchases available at pick-up and drop-off points or in lockers, Stuart, for home delivery within half an hour or a designated time slot, or Recy'Go providing inverted recycling logistic services for packaging (200 package wrappings collected per month).
- The Logistics Centre of Bercy-Charenton project, represented by Poste Immo, Icade and Sogaris, project representative, won the “Inventing the Greater Paris Metropolis” competition in April 2018. The urban logistical scope of this innovative project consists in building a tri-modal logistics centre (rail, road, tram) representing more than 30,000 square metres of logistics floor space. This Urban Logistics Centre is itself part of a larger project proposing a 50,000-square-metre mixed-use complex. Poste Immo and Le Groupe La Poste are contributing to this project as co-investors with Sogaris and as future users of this Urban Logistics Centre. This project is in line with the Urban Logistics policy of Le Groupe La Poste, which aims to make it a major development axis while contributing to “better living in the city”. The new logistics solutions developed on the site, to handle the processing of almost 25,000 parcels per year, will create 300 jobs on the site and represent approximately 2 million kilometres less in Greater Paris, based on a 100% clean fleet, in line with the new Climate-Air-Energy plan adopted by the City of Paris.

10.1.6.2 Ethical and responsible digital services

The Group continued its work on promoting digital technology that is useful, ethical, and accessible to all:

- the Group implemented its programme to comply with the General Data Protection Regulation (GDPR);
- in June, the Mediapost subsidiary was the first company in its segment to receive ISO 27001 certification for the security and confidentiality of its data processing and enrichment as part of its communication campaigns with customers;
- in April 2018, during the second edition of the “Assises de la Banque Citoyenne” La Banque Postale announced the roll-out of its digital banking inclusion plan in some one thousand post offices, in collaboration with WeTechCare, the *Union nationale des PIMMS*, and FACE.

10.1.6.3 Social and regional cohesion

La Poste is present in all regions and has solidified its relations with local actors and its offering of local services for all, from the most enterprising to the most financially vulnerable:

- in June, La Poste reaffirmed its commitment to the 100 or so SSE (Social and Solidarity Economy) structures of the Dynamic Alliance with regard to co-development and societal innovation challenges;
- La Poste continued its development strategy for the Silver economy to simplify life at home for senior citizens with the full acquisition in October 2018 of Diadom, the leader in urology and stomatherapy in France;
- La Poste solidified its performance under the *Enseigne Responsable* label. An audit conducted in October by Cabinet SGS showed an excellent understanding of CSR topics and earned a rating of 4.2/5 on the 34 commitments under the guidelines. Only Le Groupement des Mousquetaires and La Poste achieved this high level of maturity.

10.1.6.4 A recognised and rewarded societal commitment

The 2018 financial year was marked by two important new milestones in the evaluation of the Group’s social and environmental performance by key entities:

- Le Groupe La Poste is now (since January 2019) one of the top 126 companies in terms of environmental performance. Only 22 French companies are rated A by CDP, out of 7,000 companies rated worldwide by this independent reference organisation. First in the “Transport Services” segment, La Poste is the only postal operator in the world with an A rating;
- in 2018, EcoVadis ranked La Poste at the Gold level with an overall score of 78 (+5 points compared to 2017).

10.1.7 LA POSTE, A RESPONSIBLE EMPLOYER

10.1.7.1 Employment at La Poste

In 2018, 8,574 people were recruited on permanent contracts by La Poste. Over 30% of this number were young people under the age of 25. It also includes 4,902 work-study students.

10.1.7.2 Social dialogue

Following 12 agreements in 2017, 13 new agreements or amendments were signed in 2018, bearing witness to the quality of the social dialogue within La Poste. A detailed list of these agreements and their signatories is featured in Chapter 17.

Five of these agreements were signed specifically to support changes in organisation and/or business lines, such as the "Together towards a service-oriented world" agreement of 14 June 2018 in the Services-Mail-Parcels business unit and the DAST agreement of 3 May 2018 in the Network business unit.

Other agreements involve new social rights, such as the Teleworking agreement signed on 27 July 2018, relaxing and expanding remote work possibilities, or the Caregivers agreement of 18 September 2018 establishing a system for donating vacation days to and facilitating the working day for La Poste employees who are caregivers.

In addition, from 3 to 6 December 2018, La Poste organised its quadrennial elections of staff representatives at the national and local levels. As in 2014 and 2015, the voting was entirely electronic. The turnout rate in the national technical committee election remained remarkably high (73%), placing La Poste ahead of all large French public entities.

10.1.7.3 Training and professional development

Five major training programmes continued to be rolled out in 2018: core business line training, individual training, digital training, qualifying training paths, and the managerial development programme. These were supplemented by dedicated training programmes for employees in support functions and targeted programmes for Group "talents". Please note that:

- the percentage of La Poste employees having received training in 2018 was 80.35% (compared to 84% in 2017);
- the number of qualifying training paths started since 2015 has reached 37,000 (i.e. a 9,000 increase in one year), in line with the schedule showing 50,000 paths by the end of 2020;
- in 2018, the Institute of Management (IM, for managers) and the Institute of Development (ID, for support functions), created in January, provided training to 9,797 managers for IM and 13,506 employees for ID;

- at the end of 2018, the Group launched two development programmes for "talents" dedicated to senior executives (Rethink and Lead programme) or strategic executives (Impact! programme).

This training policy not only maintains the necessary skills and develops new know-how; it also supports the development of employees identified as "talents".

In terms of professional development:

- the job exchange, whose offer volume tripled between 2014 (5,700 offers) and 2017 (16,082 offers), continued to grow with a 12% increase in positions offered in 2018 (18,008 published offers). By contrast, the number of applications, which had also risen for three years, dipped by 4.8% in 2018;
- internal mobility remained high (22,825 changes in position) although slightly lower than in 2017 (23,800 changes in position).

10.1.7.4 Health and quality of life at work

The *Feeling good at work* programme, which aims to improve health and quality of life at work and began at the end of 2016, is continuing with a focus on five priorities: accident and ineptitude prevention; increased support for employees subjected to uncivil behaviour; support for employees during absences and when resuming work (APALA programme); programme to welcome and integrate new arrivals; and communication efforts regarding day-to-day work to identify and resolve identified problems (*ParlonZen* approach).

Consequently, the decrease in the frequency rate of accidents at work recorded at La Poste since 2017 (-2.2%) was confirmed by a new decrease of 7.8% in 2018. The severity rate of accidents at work also declined by 2% compared to 2017.

The upgrade of employee premises (BOLOCO programme) launched in 2016 continued in 2018: about 1,400 renovation projects were launched during the year for a total cost of €1.9 million.

The right to disconnect, implemented in 2016 and 2017, was expanded to home connections (webmail).

At the end of 2018, La Poste had 2,236 teleworkers, i.e. +18% over twelve months, thereby showing the success of this system dating back to 2013 and renewed by the 2018 agreement.

10.1.7.5 Social services and housing

In 2018, La Poste dedicated more than €204 million to its social activities offer, i.e. €1,115 per employee.

11,144 employees were assisted (housed or supported) by La Poste's Housing Service, equivalent to an annual increase of 6% over 2017.

10.2 Summary of Le Groupe La Poste consolidated results

The financial information presented below is taken from Le Groupe La Poste's consolidated financial statements for the year ended 31 December 2018.

			Change (vs n-1)		Change at constant scope and exchange rates (vs n-1)	
(in € million)	31/12/2018	31/12/2017	(in €m)	(in %)	(in €m)	(in %)
Group operating performance						
Operating revenue	24,699	24,110	+590	+2.4	+297	+1.2
Operating profit after share of net profit of jointly controlled entities	892	1,012	-120	-11.8	-123	-12.2
Operating margin	3.6%	4.2%	-	-0.6 pt	-	-0.6 pt
Net profit Group share	798	851	-53	-6.3	-36	-4.2
Net margin	3.2%	3.5%	-	-0.3 pt	-	-0.2 pt
Free cash flows	58	325	-267	-82.1	-	-
Economic health indicator ^(a)	(507)	436	-943	N.S.	-	-
Key figures – La Banque Postale						
Net banking income ^(b)	5,570	5,687	-117	-2.1	-117	-2.1
Operating ratio	83.4%	81.8%	-	+1.7 pt	-	-

(a) Please refer to Section 10.5.1.3.

(b) Segment NBI.

			Change (vs n-1)	
(in € million)	31/12/2018	31/12/2017	(in €m)	(in %)
Key financial indicators				
Net debt ^(a)	3,442	3,820	-378	-9.9
Equity Group share	12,014	11,364	+649	+5.7
Net debt/equity	28.7%	33.6%	-	-5.0 pt
Net profit/equity	6.6%	7.5%	-	-0.8 pt
Common Equity Tier 1 ^(b)	11.7%	13.4%	-	-1.7 pt
Loan to deposit ratio	86%	81%	-	-5.0 pt

(a) Group net debt does not take into account La Banque Postale for which this concept is not relevant.

(b) Fully-loaded CET1 ratios.

10.2.1 OPERATING REVENUE

Le Groupe La Poste's operating revenue amounted to €24,699 million at the end of December 2018, up €590 million compared to December 2017, representing an increase of 2.4%. This increase was driven by growth in the Express activities of

GeoPost (which remain dynamic), and by the consolidation of new subsidiaries, which offset the slump in traditional Mail revenue caused by falling volumes, and the NBI of La Banque Postale which in 2017 benefited from two GIM increases.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)		Change at constant scope and exchange rates (vs n-1)	
			(in €m)	(in %)	(in €m)	(in %)
Services-Mail-Parcels	11,577	11,424	+153	+1.3	-163	-1.4
GeoPost	7,373	6,816	+557	+8.2	+580	+8.6
La Banque Postale	5,570	5,687	-117	-2.1	-117	-2.1
Digital Services	716	672	+44	+6.6	+30	+4.5
Other segments and intercompany	(536)	(489)	-47	+9.6	-33	+6.8
OPERATING REVENUE	24,699	24,110	+590	+2.4	+297	+1.2

After adjustment for scope effects, i.e. an additional €361 million from the Services-Mail-Parcels business unit (a €316 million increase), GeoPost (€44 million increase) and Digital Services (€15 million increase) and exchange rate losses of €68 million, including a €19 million loss on the rouble, an €18 million loss on the Brazilian real and a €14 million loss on the pound sterling (GBP), the Group's organic growth at the end of December 2018 was €297 million, i.e. 1.2%.

The operating revenue for 2018 was characterised by the following:

- increase in revenue from the Services-Mail-Parcels business unit to €11,577 million, an increase of €153 million representing a 1.3% rise, including €316 million in scope and exchange rate effects primarily due to the consolidation of Asendia and the Astén Santé group. Within the business unit, the Parcel business continued to see organic growth in revenue of €82 million, or a 4.7% rise, supported by a favourable equal working-day traffic effect of €68 million (+4.8%) further strengthened by a working-day effect of +€7 million, mainly thanks to national BtoC flows driven by the growth in e-commerce. The subsidiaries in the logistics, e-logistics, direct marketing, energy transition and Silver Economy businesses recorded organic growth of €9 million, carried by the logistics subsidiaries. The revenue from Mail, which decreased by €254 million compared to December 2017, is still under pressure, due to the continuing structural decline in the volumes of addressed mail (-7.3% in equivalent working days), combined with a negative mix effect and the effect of the distribution of manifestos during the presidential and legislative elections held in 2017 (-€94 million compared to December 2017). The price increase that took effect on 1 January 2018 (+€372 million) and international growth (+€54 million) partially offset the decrease in volumes;

- the growth in GeoPost's revenue of €557 million to €7,373 million, of which €44 million from the scope effect mainly due to the consolidation in October 2017 with retroactive effect at 1 June 2017 of SPSR and the acquisitions made in 2018 (ALP, SEUR) and -€68 million in exchange rate effects. Adjusted for scope and exchange rate effects, organic growth amounted to €580 million, or +8.6%. This growth was driven by strong organic growth in the volumes handled (+6.2%), driven by BtoC. GeoPost revenue rose throughout its geographical scope;
- La Banque Postale's net banking income totalled €5,570 million. After adjusting the changes in the home savings provision, and excluding the -€130 million impact from the recording in 2017 of the retroactive increase in the compensation of the general interest banking accessibility mission due for 2016, La Banque Postale's net banking income increased by €40 million. Most of this increase was driven by the Insurance division, whose net banking income rose by €39 million compared to 2017. The Retail Banking and Asset Management divisions remained practically stable (-€7 million and +€8 million respectively compared to 2017);
- the revenue of the Digital Services business unit, at €716 million, increased by €44 million, or +6.6%. At constant scope and exchange rates, the increase was €30 million (+4.5%), to which the Transformation and Innovation division and the La Poste online website contributed €36 million in connection with higher billing related to cross-entity projects and the increase in the commissioning of online sales on the La Poste online website. Apart from the impact of the scope effect related to the acquisitions made in 2017 (Ametix) and 2018 (Euklès and Voxaly) for +€15 million, the earnings of the Docaposte division decreased by €3.6 million, despite strong performance by the digital activities (including the digital platforms and the digitisation of business processes), whereas the activities of the Mediapost division decreased by €3 million.

10.2.2 OPERATING PROFIT/(LOSS)

The Group's operating profit, after share of net profit of jointly controlled entities, totalled €892 million at the end of December 2018, down €120 million from the end of December 2017, a 11.8% decrease. At constant scope and exchange rates, the operating profit decreased by €123 million, or -12.2%. 2018 includes

in particular the impact of the government measures⁽¹⁾ on its operating expenses (€144 million) and the absence of elections (€94 million) partially offset by capital gains on disposals and the revaluation of the Group's initial investment in Asendia, which was increased to 60% in September 2018.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)		Change at constant scope and exchange rates (vs n-1)	
			(in €m)	(in %)	(in €m)	(in %)
Services-Mail-Parcels	495	600	-105	-17.6	-114	-19.0
GeoPost	346	430	-85	-19.7	-75	-17.7
La Banque Postale	813	870	-57	-6.6	-57	-6.6
La Poste Network	(153)	(25)	-128	N.S.	-128	N.S.
Digital Services	1	(20)	+21	N.S.	+17	-88.5
Real Estate	232	126	+106	+84.7	+106	+84.7
Support and Structures	(216)	(284)	+67	-23.7	+67	-23.7
Unallocated and eliminations	(625)	(686)	+61	-9.0	+61	-8.9
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	892	1,012	-120	-11.8	-123	-12.2

Highlights of operating profit by business unit are as follows:

- Services-Mail-Parcels: the business unit's operating profit amounted to €495 million at the end of December 2018, down €105 million compared to December 2017, a decrease of 17.6% (-19.0% at constant scope and exchange rates). This is essentially a result of the drop in Mail revenue from the parent company, the absence of any elections in 2018, the impact of governmental measures, the decrease in the Parcels result, which was not offset by the strong performance of the subsidiaries, which benefited from a €57 million increase in the value of Asendia securities and sustained cost-cutting efforts with a view to developing new services;
- GeoPost delivered €346 million in operating profit, down €85 million compared to December 2017. Adjusted to reflect the scope and exchange rate effects of €9 million, profit was down by €75 million (-17.7%) due to contracting margins in Germany and a €57 million depreciation of goodwill in Russia;
- the La Banque Postale business unit delivered €813 million in operating profit, down by €57 million compared to December 2017. The 2017 result included a 130 million increase in the GIM payment in respect of 2016. The effects of the decrease in management expenses (-1.1%, or -€51 million), which reflects constant efforts to rein in expenses in a context of business development and the implementation of large-scale transformation programmes, and in the cost of risk (-€59 million compared to 2017), despite the impact of a €50 million charge for the penalty issued by the

Autorité de contrôle prudentiel et de résolution (ACPR⁽²⁾) following the report on the arrangements to tackle money laundering and financing of terrorism (an appeal has been filed with the French Council of State);

- the Network, with a drop in its internal revenue benefiting in particular La Banque Postale and Mail, reported an operating loss of €153 million at the end of December 2018, down €128 million;
- the operating profit of the Digital Services business unit improved by €21 million compared with December 2017, standing at €1 million. There was a positive scope effect of €3 million;
- other business segments:
 - Real Estate recorded an operating profit of €232 million, an increase of €106 million, in connection with the sale, in 2018, of the "La Boétie" site for an amount in excess of the sale price of the "Vaugirard" site in 2017,
 - Supports and Structures, which recorded an operating loss of €216 million, reduced its deficit by €67 million in part due to reversals of provisions for end-of-career arrangements,
 - expenses for the "Unallocated" segment decreased by €62 million, primarily due to a decrease in the net cost of the regional coverage.

(1) Decrease of the CICE rate, offsetting the increase of the CSG, granting of a one-off bonus to improve the purchasing power for its employees in line with the declarations made by the President of the French Republic.

(2) ACPR: French Prudential Supervision and Resolution Authority.

10.2.3 FINANCIAL PROFIT/(LOSS)

The financial loss, which represents a total expense of €186 million, decreased by €18 million compared to December 2017. The change in the financial loss is characterised by an increase in the cost of the financial debt of €7 million, principally due to an unfavourable

adjustment of €8 million for the change in the fair value of the debt using the fair value option and of the associated derivatives, and an increase in other items of €11 million.

10.2.4 NET PROFIT

Net profit Group share, at €798 million, declined by €53 million compared to December 2017, a 6.3% decrease. After adjustment for scope and exchange rate effects, the net profit (Group share) fell by €36 million (4.2%).

The change of the net profit was characterised by a decrease in current profit before tax, which amounted to €706 million, a

decrease in the tax expense of €88 million⁽¹⁾, mainly linked to the impact of deferred taxes in 2017, and a decrease of €6 million in the share of the profit of equity associates, including –€13.8 million from Ninja Van and +€6 million from CNP Assurances. The share attributed to non-controlling interests of €39 million fell €2 million.

10.2.5 FREE CASH FLOWS AND CHANGES IN NET DEBT

Free cash flow, which was positive at €58 million, fell €267 million compared to 2017, with cash flows from operating activities down €865 million in response to a decrease in EBITDA, a lesser monetisation of the CICE tax credit and an unfavourable change in the working capital requirement and, with cash outflows driven by investment activities down by €598 million due to receipt of the proceeds of the sale of the “La Boétie” site in excess of the proceeds received in 2017 from the sale of the “Vaugirard” site and

the lower volume of external growth in 2018 compared to a high level in 2017.

The dividends paid by the Group (€173 million) and the net interest expense (€156 million) yielded a net free cash flow of –€270 million, a €261 million decrease compared to 2017. Nevertheless, net debt fell €378 million at the end of December 2018, mainly due to the receipt of perpetual hybrid subordinated notes recorded as equity. It amounted to €3,442 million at 31 December 2018.

10.2.6 FINANCIAL RATIOS

The net debt to equity ratio was 28.7%. It improved by 5.0 points compared to December 2017 as a result of a €649 million increase in equity Group share and a €378 million decrease in net debt, mainly

from the capitalisation of a loan issued in the form of undated hybrid subordinated notes in the amount of €744 million.

(1) See Section 10.4.2.

10.3 Operating results by business segment

10.3.1 SUMMARY OF OPERATING RESULTS BY BUSINESS SEGMENT

Segment reporting is presented in accordance with IFRS 8 – Operating segments.

A segment is a distinguishable component for which separate financial information is available and regularly reviewed by the Group's Executive Management for the purpose of allocating resources and assessing performance.

The criteria used for defining operating segments specifically include: the nature of the products distributed, the customer type or category for whom they are intended, the production process, the distribution network and the regulatory environment. The definition of operating segments is based on Le Groupe La Poste's current management structure.

Published 12/2018 (in € million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Support and Structures	Unallocated	Elim.	Total
External revenue & NBI	11,258	7,303	5,545	533	33	26	1	-	-	24,699
Intersegment revenue & NBI	318	70	25	183	3,788	810	1,053	-	(6,247)	-
Operating revenue	11,577	7,373	5,570	716	3,820	836	1,054	-	(6,247)	24,699
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	493	345	813	1	(134)	230	(216)	(625)	-	906
Share in results of jointly controlled entities	2	1	-	-	(19)	2	-	-	-	(14)
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	495	346	813	1	(153)	232	(216)	(625)	-	892
<i>Operating margin (as a %)</i>	<i>4.3</i>	<i>4.7</i>	<i>-</i>	<i>0.1</i>	<i>-</i>	<i>27.8</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>3.6</i>
Published 12/2017 (in € million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Support and Structures	Unallocated	Elim.	Total
External revenue & NBI	11,113	6,766	5,647	531	38	15	1	-	-	24,110
Intersegment revenue & NBI	311	50	40	141	3,953	814	758	-	(6,067)	-
Operating revenue	11,424	6,816	5,687	672	3,991	828	759	-	(6,067)	24,110
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	577	431	870	(20)	(10)	125	(283)	(687)	-	1,004
Share in results of jointly controlled entities	23	-	-	-	(15)	1	-	-	-	8
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	600	430	870	(20)	(25)	126	(284)	(687)	-	1,012
<i>Operating margin (as a %)</i>	<i>5.3</i>	<i>6.3</i>	<i>-</i>	<i>(2.9)</i>	<i>-</i>	<i>15.2</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>4.2</i>

The deployment of the *Servir le développement* programme was launched in January 2018. Aimed in particular at the reorganisation and optimisation of the support functions, it has resulted in the repositioning of twelve pooled support functions within the

"Supports and Structures" scope. In consequence, the operating results changed. "Supports and Structures" have been the main sectors impacted with a cross-entry on "Eliminations".

10.3.2 SERVICES-MAIL-PARCELS

The Services-Mail-Parcels business unit includes:

- Mail business activities (pick-up, sorting, and delivery of correspondence, advertising and press publications);
- La Poste SA's Parcel business, which specialises both in deferred delivery and in the delivery of parcels under 30 kg to individuals, BtoC or CtoC in France and for export;
- cross-border small parcel delivery solutions;
- the new local services provided by La Poste SA;
- subsidiaries involved in direct marketing (principally Mediapost France and Sogec), logistics and e-logistics solutions (mainly Viapost, STP and Neolog), the Silver economy (Asten Santé, Tikeasy, Axeo, Watch Over My Parents), the energy transition (Mobigreen, Recygo), and cross-border mail (Asendia, a fully consolidated subsidiary since October 2018).

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Revenue	11,577	11,424	+153	+1.3
non-Group revenue	11,258	11,113	+146	+1.3
Operating expenses	(11,084)	(10,847)	-237	+2.2
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	493	577	-84	-14.6
Share of net profit of jointly controlled entities	2	23	-21	-93.3
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	495	600	-105	-17.6
Operating margin	4.3%	5.3%	-	-1.0 pt

10.3.2.1 Services and Mail business activity

At 31 December 2018, revenue totalled €9,758 million, an €82 million increase (up 0.8%) compared to 31 December 2017. This increase includes a scope and exchange rate effect of +€328 million.

The decrease in mail delivery can be explained by the continued fall in traffic of -7.3% (or -€573 million) in equivalent working days, combined with an unfavourable mix effect (-€23 million), or an impact of -€596 million on 2018 revenue. It forms part of a context of streamlining and digitisation of traditional mail concerning the banking, public and telephony industries by -5.4% and also addressed advertising mail by -5.5%.

The absence of national elections (and the need to distribute manifestos) in 2018 meant that revenue fell €94 million compared to 2017.

These reductions in traffic are partially offset by:

- the 4.9⁽¹⁾% average price increase on 1 January 2018 for an estimated positive effect on revenue of €372 million.

In 2018, the quality of service of "Lettre Verte" (green mail) with two-day delivery was 94.8%, exceeding the regulatory objective set at 94%. Priority mail reached 84.6% for next-day deliveries. Registered mail reached 94.6% for two-day delivery. However,

the quality of service was strongly impacted on all Mail/Parcels products by severe weather early in the year across all of France, and by a social protest movement in France starting in November, making the shipping and distribution of La Poste's products difficult or even impossible on certain days. Without these events, the quality of service of Lettre Verte would have been 95.1%, 85.1% for priority mail for an objective of 85% in next-day delivery, and 95.1% for registered mail for an objective of 95% in two-day delivery;

- international flows, new services and the business activities of subsidiaries are driving growth:
 - the full consolidation of Asendia in October 2018 generated revenue of €294 million. Asendia, which supplies cross-border e-commerce logistics solutions (mail and small parcels), a steadily growing market, operates in 15 countries across Europe, North America and Asia. Its subsidiary, eShopworld, is a retail e-commerce operator,
 - international business grew by €54 million, thanks to the increase in imports of small parcels, mainly from China,
 - new services grew by €31 million; €24.4 million from regional knowledge and cohesion, €5.3 million from the energy transition and €1.8 million from the theoretical driving test

(1) As a percentage of basic traffic-generating revenue.

activity, giving total revenue of €115 million at the end of December 2018,

- the business of the advertising mail subsidiaries increased by €10 million due to the international subsidiaries in Portugal and Romania, with a scope effect of €3.9 million,
- La Poste Silver's subsidiaries generated an increase in revenue of €66 million with a scope effect of €60 million through the acquisition of Asten Santé in mid-2017 and Diadom in October 2018.

The logistics business was down by €8 million concerning the logistics and e-logistics offerings.

10.3.2.2 Parcel business

Revenue at 31 December 2018 was €1,819 million, showing organic growth of €82 million (+4.7%).

The volume of parcels delivered grew by 4.8% in equivalent working days, totalling 335 million items, with a €75 million impact on revenue, of which €7 million from a working-day effect. Volumes delivered break down as follows:

- 289 million BtoC items (+5.8%), driven by the growth of e-commerce, and, in particular, National Business growth of 19.3 million items (+7.4% in equivalent working days) compared with December 2017. Pick-up and drop-off points deliveries experienced a strong increase of more than 7.6 million items (+37.0% in equivalent working days), and concern 9.6% of BtoC traffic. Home delivery remains the most popular delivery method in France with an increase of 9.4 million items (+4.0% in equivalent working days), or 77.1% of BtoC traffic;

- 35 million items in CtoC, a 2.8% decline in equivalent working days compared to December 2017, a decrease recorded over the past few years due to a change in the behaviour of customers, who purchase online and have the parcel delivered directly to the recipient;

- 10 million items in import products, a 6.0% increase in equivalent working days.

The price/mix effect of -€8 million had a slightly unfavourable effect on revenue due to the continued decline in CtoC traffic, and strong growth in BtoC volumes, which increased by 6.2% in 2018.

The quality of service at 31 December 2018 remains at a high level, although with a two-day delivery rate of 93%, due to the severe weather of February 2018 and the "Gilets jaunes" (Yellow vests) movement in France. Adjusted for these two strong impacts, the quality of service reached 94.5%.

La Poste delivers more than 91 parcels out of 100 to homes on first attempt by postmen or delivery staff. 3% of additional parcels are delivered, at the choice of the recipient to their homes, to post offices, to public service areas or to retail pick-up and drop-off points and Pick-up lockers. Only 6% of parcels are left for pick up in post offices.

10.3.2.3 Operating profit/(loss)

The operating profit for the Services-Mail-Parcels business unit totalled €495 million at 31 December 2018, down €105 million compared to the end of December 2017, or 17.6%. This fall is mostly due to the drop in Mail volumes, which was not offset by the €39 million increase in the results of the subsidiaries, €9 million of which came from scope and exchange rate effects, and €57 million from the increase in the value of Asendia securities.

10.3.3 GEOPOST

GeoPost, a subsidiary of Le Groupe La Poste, covers deferred and express parcel operations in France and internationally under the following main trademarks: DPDgroup in European countries and internationally, Chronopost in France and Portugal, SEUR in Spain and Portugal, Tigers in Asia and Australia, Jadlog in Brazil and SPSR in Russia. The subsidiaries of this division have traditionally been involved in the business to business (BtoB) segments, and increasingly in business to consumer (BtoC) which accounted for 42.6% of volumes at the end of December 2018. As well as being an

express delivery specialist, GeoPost is involved in urban logistics activities *via* the pick-up network, and the Stuart courier service in particular.

The acquisitions in 2017 (Russia) and 2018 (the new SEUR and ALP franchises which include Delifresh, Freshlog, 360° Services) led to a positive scope effect on GeoPost's revenue in the amount of 44 million at the end of December 2018.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Revenue	7,373	6,816	+557	+8.2
non-Group revenue	7,303	6,766	+537	+7.9
Operating expenses	(7,028)	(6,385)	-643	+10.1
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	345	431	-86	-20.0
Share of net profit of jointly controlled entities	1	-	+1	N.S.
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	346	430	-85	-19.7
Operating margin	4.7%	6.3%	-	-1.6 pt

10.3.3.1 Ongoing strong sales development

GeoPost's revenue at the end of December 2018 was €7,373 million. It grew €557 million (8.2%) compared to the end of 2017. After adjustments for scope effect (+€44 million) and an unfavourable exchange rate effect (-€68 million, including -€14 million on the pound sterling, -€18.3 million on the Brazilian real and -€18.6 million on the rouble), organic growth was €580 million, up 8.6%.

This solid performance was driven by growth in volumes handled. At the end of December 2018, GeoPost delivered 1,310 million parcels, an organic increase of 6.2% compared with 2017. The revenue is based on the growth in volumes and mix with a €498 million increase (+7.4%) including a favourable working-day effect (€3 million). The price increase is mostly due to the €52 million fuel surcharge to offset the Brent rise.

All geographic areas have seen increased revenue in 2018:

- revenue in the United Kingdom was €1,407 million, an organic increase of 9.0%, due to a 7.7% increase in volumes, notably internationally (13%);
- in France, the increases in organic revenue of 8.1% for DPD France and 9.8% for Chronopost compared to 2017 were driven by the organic growth in volumes (+4.6% and +9.5% respectively), as a result of growth in BtoC and international flows. Mail, via the Chronofacteurs initiative, is a key partner in this development, with over 15.9 million parcels delivered to letterboxes, 60% more than in 2017;
- Germany recorded revenue of €1,759 million, representing an organic increase of 3.8%. The more moderate increase in volumes (1.5%) is the result of a highly competitive market;

- Spain relied on its extended distribution network and posted revenue of €477 million with organic growth of 3.3%;
- Benelux revenue, which amounted to €421 million, saw organic growth of 17.8% thanks to an organic increase of 14.2% in volumes as a result of the dynamic international market (30% growth in Belux);
- in Poland, the conquest of new market share and the development of BtoC, driven by the clothing and electronics segments, made it possible to maintain a particularly high organic growth of volumes of 14.7%. Revenue, which stood at €422 million, saw organic growth of 19.9%, which reflects a proactive pricing policy;
- the business activity of Tigers in a highly competitive freight market, saw revenue of €252 million, an organic increase of 8.8%, notably thanks to the logistics business activity.

10.3.3.2 Operating profit/(loss)

Operating profit, including GeoPost's share of the net profit of jointly controlled entities, totalled €346 million at the end of December 2018. This result should be viewed in the context of major tensions regarding the cost of subcontracting and transport in Europe, which has been particularly sensitive in Germany leading to a rise in unit costs, in a market which is already very competitive.

After adjustments for scope and exchange rate effects in the amount of -€9 million and a €57 million depreciation in goodwill in Russia, GeoPost's operating profit was down €18 million compared to December 2017 (-4.3%).

10.3.4 LA BANQUE POSTALE

This business segment includes La Banque Postale, its subsidiaries, and the Shared Resources division formed between La Poste and La Banque Postale that is governed by a cost-sharing agreement. All expenses relating to the Shared Resources division, which mainly consist of the costs of La Poste staff working exclusively for La Banque Postale, are re-billed at cost to La Banque Postale.

10.3.4.1 Commercial activities

Throughout 2018, La Banque Postale pursued its policy of increasing market share in all customer segments. In a highly challenging environment, this approach has enabled outstanding savings to remain almost stable (a €0.3 billion decrease compared to 2017, -0.1%). The current figure is €314.6 billion:

(savings outstandings in € billion)	31/12/2018	31/12/2017	Change	
			(in €bn)	(in %)
Sight deposits	65.7	62.7	+3.0	+4.7
Ordinary savings	82.0	81.0	+1.0	+1.2
Livret A savings account	60.6	59.9	+0.7	+1.1
LEP savings accounts	7.2	7.5	-0.3	-3.7
Sustainable development savings accounts (LDD)	7.8	7.5	+0.3	+3.6
Other savings accounts	6.4	6.1	+0.3	+4.5
Home savings	31.8	32.1	-0.3	-1.0
UCITS ^(a)	10.2	11.8	-1.6	-13.9
Life insurance ^(a)	124.1	126.2	-2.0	-1.6
Other ^(b)	0.8	1.1	-0.3	-26.4
CUSTOMER SAVINGS	314.6	314.9	-0.3	-0.1

(a) Products distributed by the network of La Banque Postale and its subsidiaries.

(b) Term deposits and PEP savings plans.

While sight deposits continued to enjoy robust inflows, with outstanding volumes up €3.0 billion year on year (+4.7%), ordinary savings also contributed to this increase.

Outstanding ordinary savings, up since 2017, despite the low yields offered, significantly increased in 2018 by €1.0 billion (+1.2%). The Livret A passbook savings account rate, at 0.75% since 1 August 2015, experienced renewed popularity with savers in a persistently low long-term rate environment.

La Banque Postale's life insurance outstandings amounted to €124.1 billion, with a slight decrease of €2.0 billion (-1.6%) compared with December 2017.

UCITS outstandings fell by 13.9% to €10.2 billion.

The decrease in outstanding home savings to €31.8 billion (-1.0% compared to 2017) is due to the limited appeal of new home savings plans. Their rate has been set at 1.0% since 1 August 2016, and plans opened since 1 January 2018 have been subject to a 30% one-off taxation (PFU-Prélèvement Forfaitaire Unique).

Within outstanding savings of La Banque Postale, those of BPE private banking stand at €8.4 billion and have risen by 6.5%, as a result of the growth in savings products which is reflected in increased life insurance outstandings and banking savings. This trend reflects La Banque Postale's development among high net worth customers.

Through the significant increase of its outstanding customers' loans, +9.5% over a year amounting to €93.0 billion in revenue, La Banque Postale showed its determination to win market share.

(outstanding loans in € billion)	31/12/2018	31/12/2017	Change	
			(in €bn)	(in %)
Home loans ^(a)	60.4	58.4	+2.0	+3.4
Consumer loans	4.9	4.8	+0.1	+1.9
Other loans ^(b)	0.5	0.4	+0.0	+6.7
Loans to legal entities ^(c)	27.2	21.3	+5.9	+27.8
CUSTOMER LOANS	93.0	85.0	+8.0	+9.5

(a) Excluding repurchases of Dutch loan portfolios.

(b) Overdrawn sight deposits and amounts owed on bank cards.

(c) Companies, social housing associations and regional authorities.

During 2018, almost €10 billion of Home loans were granted by La Banque Postale and its subsidiaries (BPE and SOFIAP), down by 24% compared with 2017. The declining market, in spite of continued low lending rates, is seeing normalisation of repurchases and renegotiations.

The growth in consumer loans, managed by La Banque Postale Financement, was maintained in a market which remains promising, increasing outstandings to €4.9 billion (a 1.9% rise compared with 2017). Sales via the Internet or the remote platform represent a growing share of the production of personal loans (41% in 2018, compared with 33% in 2017).

Committed to supporting regional development and the real economy, La Banque Postale finances the local public sector and companies. This business activity has experienced strong growth since its launch and this was confirmed in 2018 with the amount outstanding increasing by 27.8% over a one-year rolling period to reach €27.2 billion, thus consolidating La Banque Postale's position as the number one lender to local authorities. These amounts include €4.4 billion from factoring, with La Banque Postale actively expanding its range of specialised business loans. Lastly,

it should be noted that growth in customer loans was reduced by the sale of €3.4 billion in outstanding loans to Caisse Française de Financement Local over the period, in line with the business model adopted, when La Banque Postale entered the local public sector market. For four years now, La Banque Postale has been the leading bank lender for local authorities and public hospitals in terms of annual loan production.

10.3.4.2 Operating performance

La Banque Postale's Net Banking Income (NBI) amounted to €5,570 million at the end of December 2018, a decrease of €117 million or 2.1% year on year. In 2017, it benefited from the retroactive recording of the increased payment in respect of La Banque Postale's general interest banking accessibility mission (impact of €130 million for 2016). Restated for this exceptional item and the change in the home savings provision (-€27 million), net banking income rose slightly by 0.7% to €5,528 million compared to the 2017 pro forma NBI.

(in € million)	31/12/2018	31/12/2017 pro forma*	Change	
			(in €m)	(in %)
Asset Management	153	145	+8	+5.2
Insurance	261	222	+39	+17.6
Retail banking	5,156	5,320	-164	-3.1
Net interest margin	2,790	3,011	-222	-7.4
Commissions	2,368	2,353	+15	+0.6
Other income and expenses	(2)	(45)	+43	-96.4
NET BANKING INCOME	5,570	5,687	-117	-2.1

* 2017 pro forma of item reclassification within retail banking NBI.

The NBI of the Asset Management Division, amounting to €153 million, was up by €8 million compared with December 2017. The division recorded growth of 5.2% of its NBI. Assets under management and outstandings in this division totalled €218 billion at the end of 2018, a decrease of 2% over the period. They included those of La Banque Postale Asset Management and Tocqueville Finance, which is now 97.7%-owned by LBPAM.

At €261 million, NBI for the Insurance division grew by 17.6% in 2018, thanks to an overall rise in the insurance policies portfolio of 1%, with the Casualty and Property portfolio being up by 3.6%.

The net banking income of the Retail Banking division, adjusted for the shift in GIM compensation from 2016 to 2017 and the home savings provision, remained nearly stable at €5,114 million.

The net interest margin (NIM) thus restated decreased by 2% to reach €2,748.1 million, while commissions rose slightly by €15 million (+0.6%) thanks to commercial efforts.

(in € million)	31/12/2018	31/12/2017	Change	
			(in €m)	(in %)
Net banking income	5,570	5,687	-117	-2.1
Management expenses	(4,573)	(4,624)	+51	-1.1
Gross operating profit/(loss)	997	1,064	-66	-6.3
Cost of risk	(133)	(192)	+59	-30.6
Cost relating to the ACPR decision	(50)	-	-50	+0.0
Gains and losses on other assets	(1)	(1)	+1	-50.0
OPERATING PROFIT/(LOSS)	813	870	-57	-6.6
<i>LBP operating ratio</i>	<i>83.4%</i>	<i>81.8%</i>	-	<i>1.7 pts</i>

The management expenses of the Banque Postale business unit decreased by 1.1% compared with 2017, and totalled -€4,573 million. The change reflects constant efforts to rein in expenses in a context of business development and the transformation of IT systems and processes, involving major investments.

The business unit's gross operating income was €997 million, a decrease of 6.3%. Compared to the 2017 pro forma, gross operating income increased by 7%. La Banque Postale's cost to income ratio improved, reaching 83.4%.

The cost of risk post-IFRS 9, at €133 million, was lower than in 2017 (-€59 million) and included reversals of provisions on specific cases (€24 million). As a proportion of outstanding loans, it remained a low 14 basis points⁽¹⁾.

La Banque Postale's operating profit amounted to €813 million, a decrease of 6.6% compared with 2017. It integrates the €50 million provision following the ACPR decision of 24 December 2018 pertaining to La Banque Postale's AML-CFT system.

10.3.4.3 Financial structure

La Banque Postale had a solid financial structure with a Common Equity Tier 1 ratio fully loaded of 11.7% at 31 December 2018 (down 1.7 points compared to December 2017), much higher than the minimum SREP requirement of 9%⁽²⁾ set by the European Central Bank and applicable as from 1 January 2019.

The decline in La Banque Postale's Common Equity Tier 1 capital is mainly attributable to three factors: the unfavourable impact of the first application of IFRS 9 (-€140 million), the increase in outstanding loans, and finally the unrealised losses generated by the volatility of the financial markets, the latter fully impacting equity since 1 January 2018⁽³⁾.

The total capital ratio was 16.2% versus 18.2% in December 2017, down two points.

The estimated leverage ratio at the end of December 2018 was 3.4%, taking into account the transitional measures authorised by the European Central Bank on the processing of centralised outstanding savings at Caisse des Dépôts. Excluding centralised savings held by Caisse des Dépôts, it was 4.6%.

The liquidity position of the balance sheet remains well above the regulatory requirements and translates into a loan to deposit ratio of 86.4%, up 5.1 points, and a liquidity coverage ratio (LCR) estimated at 145%, compared to 157.4% in 2017.

(1) The commercial bank's cost of credit risk in relation to outstanding amounts at the beginning of the period.

(2) This requirement includes full CCB and O-SIB buffers. As at 1 January 2018 the requirement is 8.313% taking into account the gradual integration of these buffers.

(3) Pursuant to Articles 467 and 468 of Regulation (EU) No. 575/2013, the deductibility of unrealised capital gains or losses on prudential capital could be subject to transitional measures until 31 December 2017.

10.3.5 LA POSTE NETWORK

La Poste Network combines the sales and distribution activities to retail customers of the products and services of Le Groupe La Poste (La Poste Network parent company) and of the La Poste Telecom subsidiary (corresponding to the line "Share of net profit/(loss) of jointly controlled entities") distributing its offering under the "La Poste Mobile" brand.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Revenue	3,820	3,991	-171	-4.3
Operating expenses	(3,955)	(4,001)	+47	-1.2
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	(134)	(10)	-124	N.S.
Share of net profit of jointly controlled entities	(19)	(15)	-4	+25.0
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	(153)	(25)	-128	N.S.

Revenue represents internal billing for services provided by La Poste Network on behalf of the other business units. It is governed by service agreements such as:

- service agreements based on operating indicators (revenue, number of items handled) with the Services-Mail-Parcels business unit and GeoPost (Chronopost);
- for La Banque Postale, service agreements based on transactions processed at the counters and charged based on actual costs for the banking advisory line integrated into the Network (e.g. financial advisers, specialised real estate advisers, etc.);
- the transfer of costs related to the universal postal service and regional planning and development missions, as well as transitional costs (including end-of-career benefits), to the "Unallocated" segment.

The projects initiated in recent years are described below:

- a commercial banking efficiency action plan including:
 - unprecedented efforts to recruit customer service managers and banking advisers in 2017 and 2018,
 - the development of efficient advisory tools such as Cap Client 3.0 and Contact,
 - the continuation of the provision of delegations for customers,
 - a 300,000 days/persons training programme led by École de la banque et du réseau (EBR);
- the development of new services and the strengthening of synergies with the Mail Parcel business unit resulted in the creation of the common Sales Department which, since 1 January 2018, has been coordinating the players of the 298 Network and Mail zones, mobilised to promote solutions for specific customer categories:
 - business customers with the new business tracking sticker,
 - seniors with the organisation of events such as "Silver Days";
- the digital transformation is improving the customer experience by reconciling Digital Services and the human factor in post offices: the digital communication network features 2,410 screens in 1,587 post offices, WiFi hotspots in 247 post offices and all public service areas. The partners' networks are also being modernised, with 4,567 La Poste Local Postal Agency

10.3.5.1 La Poste Network

With its 17,264 retail outlets, of which 9,093 in partnership (La Poste Local Postal Agencies and "La Poste Relais" outlets) at the end of December 2018, the La Poste Network is the most densely-connected physical distribution network in France. In response to a market undergoing dramatic changes and the continuing drop in mail volumes and the number of customers visiting post offices, the La Poste Network adapts its organisation and its business lines on a regular basis to ensure its growth potential, particularly within the banking segment.

service locations equipped with self-service tablets and 2,451 "La Poste Relais" outlets fitted with smartphones and Bluetooth printers. The Network also offers a new out-of-home parcel pick-up service via a network of Pick-up lockers (available at 126 offices at end-2018);

- new formats are being rolled out with a view to providing personalised services which meet customer expectations:
 - in rural areas, new forms of resource pooling, such the installation in post offices of 503 public service areas: reception, information and support facilities where the public can receive assistance with their administrative tasks in post offices, and postmen-counter clerks, in collaboration with the Services-Mail-Parcels business unit, which enable La Poste to maintain its presence in small villages where footfall is very light in post offices (922 post offices concerned at the end of 2018),
 - in urban environments, in collaboration with town councils, postal coverage formats are tailored to the needs of towns and cities: 952 "La Poste Relais" outlets in towns with more than 2,000 inhabitants (647 in towns with over 10,000 inhabitants) and continuation of cooperation projects with major national chains (framework agreements with Franprix, Total and Carrefour "Proximité", etc.). Innovative formats have been introduced in tourist areas (Lyon Bellecour) and university cities (Rennes and Nancy), and in Roissy and Orly airports, providing services to meet the specific needs of tourists, students and travellers,
 - in towns with more than 10,000 inhabitants, the transformation of post offices into Expert format (increased commercial presence in areas with high banking potential) continued: 675 such formats were in place at the end of 2018.

In total, 408 new partnerships were established in 2018 (96 in rural areas and 312 in urban areas).

During 2018, the Network, thanks to its adaptation plans, reduced its operating costs by 1.2% compared to 2017, which continues to directly benefit the Group's business units by reducing the invoicing linked to their use of the Network.

10.3.5.2 La Poste Mobile

Created in 2011, La Poste Telecom is a joint venture with Le Groupe La Poste having a 51% stake and SFR having the remaining 49%. La Poste Mobile has positioned itself as a physical network operator offering a wide range of fixed line and mobile telephony services, a quality local service and a responsive after-sales service.

In 2018, La Poste Mobile continued its sales growth strategy, launching a 60 GB package for less than €10 "for life" for retail customers in September. Sales of plans of more than 20 GB now account for more than 40% of La Poste Mobile's sales.

This new commercial strategy enabled La Poste Mobile to acquire 616,000 customers (including prepaid customers), 512,000 of which were new subscribers during the year. Net subscription sales (after terminations) totalled 148,000. The total subscription and pre-paid customer base rose 10.3% to 1.525 million customers, including 1.46 million subscription customers.

In addition to the mobile telephony offer, La Poste Mobile continued to broaden its fixed telephony range by launching an ADSL offer for retail customers at the end of May 2018. The expansion of the fixed telephony range enabled La Poste Mobile to increase sales by 42% compared with 2017.

10.3.6 DIGITAL SERVICES

The Digital Services business unit is made up of two divisions: the first division develops commercial activities through its subsidiaries specialised in digital services, Docaposte and Mediapost Communication, as well as the La Poste.fr e-commerce site; the second division drives the deployment of the group's digital strategy, in particular the Group's modernisation and digital transformation, in close connection with the other divisions.

- The commercial activities division is organised around:
 - Docaposte, operator of physical and digital services, specialist in supporting digital transitions. The share of its digital activities (52% in 2018) is steadily increasing;
 - Mediapost Communication, expert in digital marketing, data and governance services, which provides its customers with advice and support for the implementation of targeted campaigns;
- The e-commerce website La Poste.fr developing the online revenue of postage products (mail, parcels) and service offers (forwarding, electronic registered mail, etc.).
- On behalf of the Group, the modernisation and transformation division ensures:
 - the modernisation of internal and customer processes, especially via digitisation,
 - transformation, through the development of new services centred around the end customer, in particular in regards to customer knowledge and innovation projects,
 - la Poste's position as a trusted third party in the digital world: Digiposte, Digital Identity, e-health.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Revenue	716	672	+44	+6.6
non-Group revenue	533	531	+2	+0.5
Operating expenses	(716)	(692)	-24	+3.5
OPERATING PROFIT/(LOSS)	1	(20)	+21	N.S.
Operating margin	0.1%	-2.9%	-	+3.0 pt

10.3.6.1 Revenue

At the end of December 2018, revenue totalled €716 million (€645 million for the Commercial Activities division and €71 million for the Transformation and Innovation division), an increase of €44 million or 6.6% compared with the end of 2017. Adjusted for positive scope and foreign exchange effects of +€14 million, organic revenue rose by €30 million.

The revenue of the commercial activities division increased by 26 million:

- Docaposte's revenue increased by €11 million compared to the end of 2017 to reach €501 million at the end of December 2018, or +2.3%. The acquisitions made in 2017 (Ametix) and in 2018 (Euklès and Voxaly) contributed €15 million to this growth. Excluding the scope effect, Docaposte recorded an organic decline of -€3.6 million compared to December 2017: the strong momentum of digital activities, including digital platforms and digitisation activities, was neutralised by the decrease in revenue from traditional activities;
- The Mediapost Communication division's revenue of €92 million was down by €3 million or 3.2% compared to the end of December 2017, as the Media and Data division's advertising revenue

growth did not offset the decline of the historical offers of the Consultancy division;

- The increase in online sales from www.laposte.fr generated a change in commissions of €2.8 million and internal billings linked to developments on the website for €15 million.

The revenue of the Transformation and Innovation division grew by €19 million. It develops cross-functional projects on behalf of the Group, the internal billings of which were up €16.5 million. In addition, the revenue of the Digital Trust division grew by €2.1 million, in line with the growth in Digiposte Plus customers.

10.3.6.2 Operating profit/(loss)

The expenses for the Digital Services business unit are up by €24 million and reflect the development of Digital Services projects.

Operating profit of the Digital Services business unit at the end of December 2018 was €1 million. It showed a €21 million improvement compared to the end of 2017, €3 million of which was due to the scope effect.

10.3.7 OTHER SEGMENTS

10.3.7.1 Real Estate

The Real Estate segment includes the Poste Immo subsidiary and the Real Estate Department of the La Poste parent company.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Revenue	836	828	+8	+1.0
<i>non-Group revenue</i>	26	15	+12	+81.3
Current operating expenses	(773)	(771)	-2	+0.3
Gains/(losses) on disposals	167	67	+99	N.S.
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	230	125	+105	+85
Share of net profit of jointly controlled entities	2	1	+1	+84
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	232	126	+106	+84.7
<i>Operating margin</i>	27.8%	15.2%	-	+12.6 point

Revenue from Real Estate amounted to €836 million, up €8 million, i.e. 1.0% compared to the end of December 2017, due to increased external revenue (€12 million) as a result of the rise in rents to external third parties, notably Startway (offices and co-working spaces) as well as the added value from La Poste occupying a sold rental site (Apollonis).

Several Villages La Poste continue to open in the regions (move to the Apollonis site in Montrouge in June 2018, the first locations in

Strasbourg in December and continuing works in Bordeaux, Nantes, Marseille and Lyon). This project aims to promote synergies and partnerships between business units by increasing proximity, while highlighting and optimising the occupation of service-sector buildings in the regions.

Operating profit, after share of profit of jointly controlled entities, was €232 million, up €106 million compared to 2017, due to the gains from the disposal of the La Boétie site.

10.3.7.2 Support and Structures

The Supports and Structures segment includes headquarters costs and the Support Departments (mainly vehicle fleet management, social and supply operations) that rebill the Group's other business units for costs incurred.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Revenue	1,054	759	+295	+38.9
Operating expenses	(1,270)	(1,042)	-228	+21.9
Operating profit/(loss) before share of net p/(l) of jointly controlled entities	(216)	(283)	+67	-23.6
Share of net profit of jointly controlled entities	-	-	-	-61.5
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	(216)	(284)	+67	-23.7

Operating income totalled €1,054 million at end-December 2018, of which €1,007 million in intercompany revenue resulting from the billing of services provided to other business units by support functions and the headquarters' "billing" service centres (such as the Village La Poste fixed hosting fee). Unit prices are established prior to commencing work in a service agreement, and the amounts charged are based on actual volumes. In addition, €41 million in

Group head office expenses were incurred by the subsidiaries (management fees).

The increase in operating income of €295 million as well as the rise of operating expenses of €228 million are mainly explained by the impact of the *Servir le développement* project and by the reversal of provisions for end-of-career arrangements.

10.3.7.3 Unallocated expenses

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Net cost of regional postal presence	(507)	(566)	+59	-10.4
Other operating expenses	(118)	(121)	+3	-2.4
OPERATING PROFIT/(LOSS)	(625)	(687)	+62	-9.0

The "Unallocated" segment includes the costs of the universal postal service accessibility mission, the costs of the regional planning mission, the corresponding local tax allowance and, lastly, the transitional costs associated with retirement schemes that are

considered to be Group cross-entity costs and which are therefore not allocated to the business units.

The improvement in terms of profit is due in particular to the reduction of the net cost of the regional postal presence.

10.4 Other key aggregates of the income statement

10.4.1 FINANCIAL PROFIT/(LOSS)

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Net interest expense	(157)	(159)	+1	-0.8
Change in "fair value" including debt credit spread	(3)	5	-8	N.S.
Cost of net financial debt	(160)	(154)	-7	+4.3
Other financial items	(25)	(14)	-11	+78.9
FINANCIAL PROFIT/(LOSS)	(186)	(168)	-18	+10.6

The financial profit/(loss) was down by €18 million in 2018 compared to 2017. It represented a total loss of €186 million, with a €7 million increase in the net borrowing cost, which reached €160 million in 2018, combined with an increase of €11 million in other financial items.

The net interest expense decreased by €1 million in 2018 to -€157 million, mainly due to a lower interest expense on financing transactions of €2 million, due to a decrease in the average outstanding loans (€5.6 billion in 2018 compared to €5.8 billion in 2017), reinforced by the issue of a green bond at a rate 1.45% lower than the average cost of the Group's debt.

The change in fair value in 2018 of the fair value option debt and the derivatives backed by this debt, which corresponded to a charge of €3 million in 2018, generated an unfavourable impact of €8 million compared to 2017, largely due to the issuance in 2018 of a new "rate-refixing" swap maturing in 2023 with a negative value of €4.5 million. The change in fair value of the "spread portion" is now recognised directly in equity (application of IFRS 9).

Other financial items (€25 million expense in 2018), increased by €11 million compared with 2017. These are essentially the accretion expense on social debt (expense of €21 million, 5 million increase) and other financial income and expenses, which worsened by €6 million.

10.4.2 NET PROFIT GROUP SHARE

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Operating revenue	24,699	24,110	+590	+2.4
Operating expenses	(23,793)	(23,106)	-687	+3.0
Operating profit/(loss)	906	1,004	-97	-9.7
Share in profits of jointly controlled entities	(14)	8	-22	N.S.
Operating profit after share of net profit/(loss) of jointly controlled entities	892	1,012	-120	-11.8
Financial profit/(loss)	(186)	(168)	-18	+10.6
Profit/(loss) before tax	706	844	-138	-16.3
Income tax	(161)	(248)	+88	-35.3
Share in profits of associates	291	297	-6	-1.9
CONSOLIDATED NET PROFIT/(LOSS)	837	893	-56	-6.2
Net profit Group share	798	851	-53	-6.3
Non-controlling interests	39	41	-2	-5.5

Net profit (Group share) stood at €798 million at the end of December 2018. It decreased by €53 million compared with December 2017. This change is primarily due to the €120 million slump in operating profit after share of net profit of jointly controlled entities, and an €18 million decrease in the financial profit, leading to a €138 million decrease in profit before tax.

The Group's tax expense, which fell by €88 million, to €161 million, limits the Group's fall in profit after tax compared to 2017 to €50 million. The decrease in the Group's tax expense, which is due in part to the fall in profit before tax, is strengthened by the effects of deferred taxes mainly relating to 2017.

The share of the profit of equity associates was down by €6 million, of which -€14 million from Ninja Van consolidated starting in 2018 following a 32.27% equity investment and +€6 million from the CNP Assurances' contribution, of which the Group holds 20.15% (or a share of 2018 profit of €263 million). The share of the profit of BRT, of which the Group holds 37.5% since January 2017, increased slightly in 2018, reaching €32 million

10.5 Debt and financial strength

The tables below are set out so as to present both the banking activities and the industrial and commercial activities within the same group, while providing a more economic view of their respective contribution to Group cash flow.

As Group parent company, La Poste provides funding for industrial and commercial operations and equity for La Banque Postale. As such, La Banque Postale, although fully consolidated, is considered based on the dividends it distributes to its parent company, which are considered as Group cash flows, once all minimum regulatory equity requirements are met.

Consequently, Group net debt does not directly take into account La Banque Postale, for which this concept is not relevant. Group net debt thus varies largely according to the following:

- the ability of the industrial and commercial activities to generate surplus free cash flows (EBITDA, changes in working capital, capital expenditure and potential external growth);
- dividends paid by La Banque Postale to La Poste (including coupons for AT1 hybrid securities) or from equity associates and, in return, potential capital increases in these entities;
- the corporate tax expense resulting from the tax group set up between La Poste and its subsidiaries;
- La Poste's cost of capital employed, based on interest paid on net debt and dividends paid out to its shareholders.

10.5.1 CHANGE IN NET DEBT

10.5.1.1 Cash flows from operating activities

Cash flows from operating activities fell €865 million compared to 2017, notably due to a fall in EBITDA of €498 million, a decrease in flows on taxes paid (net of CICE deducted and monetised) of €259 million, mainly due to decreased monetisation of receivables on CICE (€298) million in 2018 instead of €533 million in 2017), and an unfavourable impact on the working capital requirement of €204 million.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
EBITDA (excluding banking activities)	605	1,103	-498	-45.2
Dividends received from LBP and equity associates	422	390	+32	+8.2
Change in working capital requirement	(122)	83	-204	N.S.
CICE generated during the period	(317)	(388)	+71	-18.3
Taxes paid (net of CICE deducted and monetised)	396	655	-259	-39.5
Other cash flows from operating activities	(22)	(16)	-6	+35.6
CASH FLOW FROM OPERATING ACTIVITIES	962	1,827	-865	-47.3

In 2018, the scope excluding banking activities, which saw revenue growth of €570 million essentially driven by GeoPost and the Mail subsidiaries (including a €293 million scope and exchange rate effect) to stand at €22,224 million, recorded a drop in its operating profit of €16 million, despite the favourable impact of non-cash items of the operating profit, which rose €482 million compared to 2017 due to HR provisions and the recording of €168 million from the

sale of the La Boétie site compared with €87 million from the sale of Vaugirard recorded in 2017. EBITDA excluding banking activities declined €498 million compared to the end of December 2017, amounting to €605 million. This decrease in EBITDA excluding banking activities is primarily due to a €295 million decrease in the Services-Mail-Parcels business unit, which in 2018 continued to suffer from decreasing mail volumes, compounded by the

absence of elections in 2018 and by a €219 million decrease for the Network, which reduced its internal revenue for the benefit of La Banque Postale (excluding Industrial Mail Platforms) and Mail. GeoPost's EBITDA, which decreased €25 million over the period, also contributed to the overall slump.

The CICE generated during the period, which is included in the EBITDA, was neutralised in the cash flow from operating activities. It decreased €71 million due to the fall in CICE rates (from 7% in 2017 to 6% in 2018), standing at €317 million at the end of December 2018.

Dividends received from La Banque Postale and from equity associates increased overall by €32 million, primarily due to dividends received from La Banque Postale (€408 million instead of €376 million received in 2017).

The change in working capital requirement, which resulted in cash use of €122 million at the end of December 2018, decreased €204 million compared to 2017. The Group's working capital requirement at the end of December 2018 therefore stood at -€783 million, close to the WCR at the start of the 2017 fiscal year (-€746 million).

The net flow of taxes and CICE recognised and monetised totalled €396 million at end-December 2018, and comprised:

- €11 million in taxes paid. It was a negative variance of €65 million compared to December 2017;
- the CICE credited against tax and monetised in the amount of €385 million, generating an unfavourable impact of €194 million compared with the end of December 2017 caused by a monetisation amount of €236 million less than in 2017, i.e. €298 million compared with €533 million in 2017.

10.5.1.2 Cash flow from investing activities excluding banking activities

Net investment outflows excluding banking activities amounted to €904 million at 31 December 2018, i.e. cash outflows €598 million less than in 2017, with subsidiaries acquired to the value of €31 million, a decrease of €646 million compared to 2017, when the Group acquired BRT and Asten Santé securities and flows from asset disposals up by €56 million from the sale of the "La Boétie" site for €214 million more than the proceeds of the sale of the Vaugirard site in 2017 for €173 million.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Purchases of intangible assets, and property, plant and equipment	(1,162)	(1,075)	-87	+8.1
Purchases of financial assets	(79)	(57)	-22	+38.2
Asset disposals	363	307	+56	+18.2
Subsidiary acquisitions, less cash acquired	(31)	(677)	+646	-95.4
Subsidiary disposals, less any disposals of cash	4	-	+4	N.S.
CASH FLOW FROM INVESTING ACTIVITIES EXCLUDING BANKING ACTIVITIES	(904)	(1,501)	+598	-39.8

Purchase of property, plant and equipment and intangible assets

Purchases of property, plant and equipment and intangible assets amounted to €1,162 million for 2018; they rose by €87 million compared to 2017. This rise is due to a €120 million increase in

investments during 2018, notably in relation to the expenses committed by GeoPost and Véhiposte, as well as a €33 million favourable impact from the change in amounts due to non-current asset suppliers (€25 million over 2018).

Purchases of property, plant and equipment and intangible assets broken down by business unit are shown below:

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Services-Mail-Parcels	(253)	(274)	+21	-7.6
GeoPost	(346)	(260)	-86	+33.2
La Poste Network	(36)	(28)	-8	+29.7
Digital Services	(74)	(68)	-6	+9.4
Real Estate	(298)	(318)	+20	-6.4
Support & Other	(155)	(127)	-27	+21.5
Purchase of intangible assets, and property, plant and equipment	(1,162)	(1,075)	-87	+8.1
Change in non-current asset accounts payable	(25)	8	-33	N.S.
INVESTING ACTIVITIES EXCLUDING BANKING ACTIVITIES	(1,186)	(1,066)	-120	+11.3

Investments concern:

- the Services-Mail-Parcels business unit: €253 million in acquisitions, down €21 million compared to the end of December 2017, which reflects the continued roll-out of the industrial and IT master plan:
 - parent company Mail: €148 million for 2018, a €35 million decrease. Most of the annual investments related to the evolution and updating of information systems,
 - Parcels: €41 million, a €9 million decrease compared with 2017, with a favourable impact of €11 million from the change in amounts due to suppliers of fixed assets. Investments in 2018 mainly concerned modernisation of the Moissy parcel platform as part of the master plan project,
 - Mail Subsidiaries: €64 million, up €23 million compared to the end of December 2017. This rise is principally due to the scope effect on Astén Santé, which was acquired in June 2017 and consolidated during the second half and on the acquisition of Asendia in October 2018;
- GeoPost: €346 million, a €86 million increase compared to December 2017. In 2018, the first investments were in Hub 5 in the United Kingdom (€45 million), the Eindhoven Hub in the Netherlands (€27 million) and the Hamm depot in Germany (€16 million);
- Network: €36 million in acquisitions, an increase of €8 million. €23 million were invested in IT/machines/safety for the Support and Maintenance Department (DSEM);
- Digital Services: €74 million, a €6 million increase compared to December 2017. Most of the investments (€42 million) were in Digital Services with support for the growth of Laposte.fr, and the development of the cross-entity customer knowledge project;
- Real Estate: €298 million in acquisitions, a €20 million decrease compared with December 2017, with a €31 million favourable impact on the change in amounts owed to non-current

asset suppliers and a €10 million rise in investments. Owner maintenance and value-enhancement programmes now account for around 70% of investments, 30% enabling Poste Immo to support the business units in their projects;

- Support and other: €155 million, a €27 million increase, of which €22 million in respect of vehicle purchases (€131 million in acquisitions in 2018).

Finance leases are not taken into account in this table, in accordance with IAS 7.

Purchases of financial assets

Purchases of financial assets (security deposits and equity investments) do not include "Cash investments of more than three months" (€450 million and €670 million, respectively, at end-December 2018 and at end-December 2017). Purchases of financial assets amounted to €79 million at the end of December 2018, an increase of €22 million compared with the end of December 2017.

Flows on financial assets purchased in 2018 by La Poste parent company (€43 million) mainly consisted of financing of La Poste Mobile by La Poste SA consisting of a €20.4 million capital increase and a €9.8 million current account payment, a €7 million payment to the capital of Xange Digital 3 and a €3 million capital increase of Toit et Joie. Flows on financial assets purchased in 2018 by the subsidiaries excluding banking activities amounted to €36 million, including €19 million for GeoPost (capital increases and acquisitions of securities of equity associates or non-consolidated companies and payment of a €2.3 million security deposit on the rental of the new Chronopost registered office), €9 million for Poste Immo (€3.5 million Arkadea capital increase and €5.3 million in payments to the current accounts of equity affiliates) and €3 million for the digital subsidiaries (additional acquisition of Docaposte Agility securities for €1.2 million).

Acquisitions and external growth

Acquisitions at the end of December 2018, less acquired cash and cash equivalents, amounted to €31 million excluding banking activities.

The Services-Mail-Parcels business unit also engaged in external growth acquisitions for an amount net of cash flow acquired of €4 million, including -€34 million from the Diadom acquisition, and +€42 million in cash flow acquired from the takeover of Asendia following a €79 million capital increase for which the Group was the

sole subscriber. La Poste now owns 60% of Asendia. The Services-Mail-Parcels business unit also paid out €2.5 million for a 24.9% equity investment in the capital of BEA and EAP France by La Poste and €1.3 million as a price addition on the acquisition of Asten Santé, which took place in 2017.

GeoPost, with an overall amount of €22 million, acquired the entire capital of the ALP group, and pursued its growth in Spain by integrating two new SEUR franchises.

The Digital Services business unit, by acquiring Euklès and Voxaly, recorded an overall amount of €14 million in 2018.

Asset disposals

Asset disposals amounted to €363 million, a €56 million increase compared to December 2017, including €18 million in financial asset disposals and €38 million in industrial asset disposals. Asset disposals notably covered sales of Group vehicles (€21 million) and disposals of buildings from La Poste's Real Estate portfolio in the amount of €299 million, an increase of €26 million compared with December 2017, resulting primarily from the sale of the "La Boétie" building (€214 million in May 2018), greater than the sale proceeds in 2017 from the Vaugirard building (€173 million).

10.5.1.3 Economic health indicator

The Economic Health Indicator (EHI) is a management indicator that measures the Group's ability to finance external growth with cash and cash equivalents generated from the period's operating activities and after compensating equity contributors.

Indicators comprising the EHI are presented in detail in the table below.

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
EBITDA	605	1,103	-498	-45.2
Dividends received from equity associates	422	390	+32	+8.2
Income tax	11	75	-65	-85.7
Net interest paid	(156)	(162)	+6	-3.6
Other funds from operations	(22)	(16)	-6	+35.6
Funds from operations	859	1,390	-531	-38.2
Change in WCR	(122)	83	-204	N.S.
CICE generated and deducted	69	192	-123	-64.2
Purchases of intangible assets and property, plant and equipment (net of VHP disposals)	(1,141)	(1,056)	-84	+8.0
Free cash flows from operations	(334)	609	-943	N.S.
Dividends paid	(173)	(173)	+1	-0.4
ECONOMIC HEALTH INDICATOR	(507)	436	-943	N.S.

The 2018 EHI amounted to -€507 million, a €943 million decrease compared to 2017. This decline is due to the fall in EBITDA (-€498 million), the €204 million negative impact of the change in WCR, as well as the net CICE balance generated and deducted, which fell by €123 million, with a €71 million favourable impact on the CICE generated and a €194 million negative impact on the CICE deducted mainly due to the monetisation in 2018 of €297.5 million in CICE receivables generated in 2016, compared to a monetisation in 2017 of €533 million in CICE generated in 2015 and 2016.

10.5.1.4 Change in net debt

The Group's net debt decreased by €378 million from €3,820 million to €3,442 million in 2018.

Free cash flows were positive, in the amount of €58 million. They fell by €267 million compared to December 2017, with a €865 million drop in cash flows from operating activities, notably due to a fall in EBITDA, and decreased monetisation of receivables on CICE, which

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was partially offset by a €598 million reduction in the cash outflows for investments, €624 million of which was from external growth transactions (including purchase of financial assets).

Dividends paid out by the Group (€173 million including interest paid to non-controlling interests) and the net interest paid (€156 million), in total during 2017, led to a net free cash flow of -€270 million.

The favourable change in the Group's net debt is mainly due to the issue of €750 million of undated hybrid subordinated notes classified as Group equity due to their being undated with no obligation to pay interest, generating a cash inflow of €744 million (excluding issue premium).

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Cash flows from operating activities	962	1,827	-865	-47.3
Cash flows from investing activities	(904)	(1,501)	+598	-39.8
Free cash flows	58	325	-267	-82.1
Dividends paid	(173)	(173)	+1	-0.4
Net interest paid	(156)	(162)	+6	-3.6
Net free cash flows	(270)	(9)	-261	N.S.
Capital Increase	-	-	-0	-99.8
Issue of undated hybrid subordinated notes	744	-	+744	-
Impact of changes in consolidation scope on gross debt	(30)	(48)	+18	-36.7
Purchase of non-controlling interests	(23)	(21)	-2	+10.4
Unrealised gains and losses relating to changes in fair value	(10)	(5)	-5	N.S.
Increase in finance lease liabilities	(9)	(20)	+11	-54.6
Change in accrued interest not yet due on financial instruments	(1)	3	-4	N.S.
Other items	(21)	(1)	-21	N.S.
CHANGE IN NET DEBT*	378	(101)	+479	N.S.

* “(-)”: increase / “+”: decrease

10.5.2 CHANGE IN CASH AND CASH EQUIVALENTS

The cash and cash equivalents of Le Groupe La Poste increased by €550 million in 2018, from €1,735 million at the opening to €2,286 million at the end of December 2018. This increase is due to the following:

- negative net free cash flow of €270 million;
- a net collection of €744 million from an issue of undated hybrid subordinated notes worth €750 million before issue premiums and costs;
- cash outflows from loans for a net amount of €34 million, including the redemption upon maturity of a €500 million bond and the issue of a €500 million green bond with a 10 year maturity and an annual fixed coupon of 1.45%. Exposure to commercial paper remained stable over the period at €150 million on 31 December 2018;
- an increase in cash and cash equivalents from movements in financial assets linked to cash flows from operating activities

(€220 million linked to the reimbursement on maturity of various investments with a maturity exceeding three months partially replaced);

- a -€17 million contribution for intercompany cash flows with La Banque Postale attributable chiefly to the change in the balance of the La Poste SA accounts at La Banque Postale amounting to -€55 million at the end of December 2018, compared with a debit balance of -€82 million at the end of 2017. There was also a €6 million change in debt vis-à-vis La Banque Postale for the overall intercompany “loans/receivables” position;
- consumption of other cash flows from financing activities of €67 million, which mainly came from a €30 million decrease in deposits and guarantees received, and a €18 million decrease in current bank facilities.

“Other items” in the cash flow statement (-€26 million) mainly pertain to the purchases of non-controlling interests (-€23 million) and the impact of changes in exchange rates (-€3 million).

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Net free cash flows	(270)	(9)	-261	N.S.
Capital Increase	-	-	-0	-99.8
Issue of undated hybrid subordinated notes	744	-	+744	-
Change in cash flows from financing activities	(34)	(487)	+453	-93.1
Change in financial assets used in cash management	220	(200)	+420	N.S.
Other cash flows from financing activities	(67)	(107)	+40	-37.6
Intercompany cash flow	(17)	408	-425	N.S.
Other items	(26)	(22)	-5	+22.1
Change in cash and cash equivalents	550	(416)	+967	N.S.
Opening cash and cash equivalents	1,735	2,152	-416	-19.4
CLOSING CASH AND CASH EQUIVALENTS	2,286	1,735	+550	+31.7

10.5.3 BREAKDOWN OF FINANCIAL DEBT

10.5.3.1 Gross debt

The Group's gross debt decreased €68 million during 2018. It currently totals €6,229 million.

Details of the Group's gross debt are provided below:

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Bonds	5,144	5,169	-25	-0.5
Short-term bonds	800	504	+296	+58.8
Medium- and long-term bonds	4,344	4,665	-321	-6.9
La Poste savings bonds	54	56	-1	-2.4
Short-term La Poste savings bonds	54	56	-1	-2.4
Medium- and long-term La Poste savings bonds	-	-	+0	-
Commercial paper	150	150	-0	-0.2
Short-term commercial paper	150	150	-0	-0.2
Medium- and long-term commercial paper	-	-	+0	-
Deposits and guarantees received	95	125	-30	-23.7
Short-term deposits and guarantees received	70	99	-30	-29.9
Medium- and long-term deposits and guarantees received	26	25	+0	+0.4
Accrued interest	79	96	-17	-17.6
Accrued interest	79	96	-17	-17.6
Other	706	701	+5	+0.7
Other short-term items	72	79	-7	-9.0
Other medium- and long-term items(*)	634	622	+12	+2.0
GROSS DEBT	6,229	6,297	-68	-1.1
Short-term gross debt	1,225	984	+241	+24.4
Medium- and long-term gross debt	5,004	5,313	-309	-5.8

* Including €435 million in subordinated debt.

As at 31 December 2018, La Poste's gross bond debt comprised 11 loans, originally with fixed rates (excluding hybrid loan posted in equity), some of which were switched to floating rates, then converted back to fixed rates according to whether interest rates were forecast to rise.

The main changes in relation to the Group's gross debt were as follows:

- a €25 million decrease in bonds mainly related to the change in fair value of the debt recorded using the fair value option (€23 million). To be noted: the approaching maturity of a €500 million bond issued in 2008, and the issue of a €500 million green bond in November with a ten-year maturity and a coupon of 1.45%. The Group's bond debt totalled €5,144 million at the end of December 2018;
- outstanding commercial paper stable at €150 million;
- deposits and guarantees received were down by €30 million to €95 million, in line with the decrease in collateral received related to the derivative instruments portfolio due to the decrease in their fair values compared to 31 December 2017;
- accrued interest not due amounted to €79 million, a €17 million decrease compared to December 2017;

- other debts remained practically stable at €706 million, with an increase of €5 million. They break down as follows:

- other loans at amortised cost (€526 million) mainly comprising subordinated debt in the amount of €435 million (nominal value of \$500 million swapped into euros). They increased by €48 million in 2018 as a result of currency fluctuations (€20 million) and the entry of Asendia's debt into the Group's consolidated scope (€28 million),
- finance lease liabilities, which were down €12 million (€101 million at the end of December 2018),
- current bank facilities, which were down by €18 million (€22 million at the end of December 2018),
- debt-related derivative liabilities, which were down €12 million (€56 million at the end of December 2018 compared to €68 million at the end of December 2017).

The cost of debt ⁽¹⁾ at one year was 2.91% at the end of December 2018 (2.60% at the end of 2017). When projected over the next few years, the average cost of debt at four years was 2.67% at the end of December 2018 (2.72% at the end of 2017).

10.5.3.2 Net debt

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Gross debt at the end of the period	6,229	6,297	-68	-1.1
Cash and cash equivalents	(2,286)	(1,735)	-551	+31.7
Other assets	(501)	(742)	+241	-32.5
NET DEBT AT THE END OF THE PERIOD	+3,442	3,820	-378	-9.9

The Group's net debt amounted to €3,442 million at the end of December 2018, a decrease of €378 million compared to December 2017.

Other assets correspond to:

- investments maturing in over three months, which amounted to €450 million at the end of December 2018, were down €220 million since 1 January;

- debt-related derivative assets (fair value of €127 million in December 2018, down €37 million);

- La Banque Postale's net financial position is a net credit position of €76 million. La Banque Postale's net financial position increased overall by €17 million in 2018, due primarily to being in an overdraft position by €55 million at the end of December 2018 compared to being in an overdraft position by €82 million at the end of December 2017.

(1) Including the interest of the hybrid debt classified as shareholders' equity.

10.5.4 EQUITY AND FINANCIAL STRUCTURE

(in € million)	31/12/2018	31/12/2017	Change (vs n-1)	
			(in €m)	(in %)
Equity Group share (opening)	11,364	10,917	+447	+4.1
Capital increase	-	-	+0	-
Net profit Group share	798	851	-53	-6.3
Dividend payments	(171)	(171)	+0	-0.0
Unrealised gains and losses on financial instruments	(617)	(15)	-602	N.S.
Translation adjustments	(66)	(84)	+18	-21.6
Actuarial adjustments	18	74	-56	-0.8
Undated hybrid subordinated notes	744	-	+744	-
Other items	(57)	(209)	+152	-0.7
Equity Group share (Closing)	12,014	11,364	+649	+5.7
Non-controlling interests	197	169	+27	+16.0
CONSOLIDATED EQUITY (CLOSING)	12,210	11,534	+676	+5.9

Equity Group share was €12,014 million at the end of December 2018, an increase of €649 million including in particular the impact of undated hybrid subordinated notes totalling +€744 million, and a decrease in the unrealised gains and losses on financial instruments of -€617 million.

In addition, the impact on equity of the first application of IFRS 9 resulted in a decrease of €144 million, of which €26 million on financial instruments and €118 million on other reserves.

10.5.5 CREDIT RATING

In 2018, the rating agencies Standard and Poor's and Fitch confirmed the short-term and long-term ratings of La Poste and La Banque Postale. Standard and Poor's raised the outlook for La Poste and La Banque Postale from Stable to Positive on 30 October 2018.

La Poste rating

Company	Agency	Long-term rating	Short-term rating	Outlook	Last revised
La Poste	Fitch Ratings	A+	F1	Stable	11 September 2018
	Standard and Poor's	A	A-1	Positive	30 October 2018

La Banque Postale rating

Company	Agency	Long-term rating	Short-term rating	Outlook	Last revised
La Banque Postale	Fitch Ratings	A-	F1	Stable	12 April 2018
	Standard and Poor's	A	A-1	Positive	30 October 2018

10.6 Analysis of the parent company financial statements

La Poste's parent company financial statements are prepared in accordance with French GAAP and with the provisions of the French General Chart of Accounts.

10.6.1 OPERATING PROFIT/(LOSS)

(in € million)	31/12/2018	31/12/2017	Change	
			(in €m)	(in %)
Operating revenue	13,853	14,164	-311	-2.2
Operating expenses	(14,515)	(14,216)	-300	+2.1
Operating profit/(loss)	(662)	(52)	-611	ns
Financial profit/(loss)	490	463	+27	+5.8
Non-recurring items	16	9	+8	+89.9
Income tax	225	238	-13	-5.5
NET PROFIT	70	659	-589	-89.4

La Poste's operating revenue consisted primarily of:

- revenue from the Services-Mail-Parcels business unit's mail and parcels business;
- La Poste Network invoices to the Group's client subsidiaries;
- invoicing of shared resources (personnel expenses of the financial centres and the banking advisory line) to La Banque Postale.

Operating revenue totalled €13.9 billion in 2018, down 2.2% compared to 2017, mainly due to the decline in mail volumes.

Operating expenses came to €14.5 billion in 2018, up by €300 million (+2.1%). The change is mainly attributable to external services (outsourcing and non-company employees in particular), as well as to net depreciation, amortisation, provisions and impairment.

10.6.2 FINANCIAL PROFIT/(LOSS)

(in € million)	12/2018	12/2017	Change	
			(in €m)	(in %)
Net profit/(loss) from foreign currency	-	-	-1	ns
Net profit/(loss) on loans and borrowings	5	21	-16	-74.5
Income from equity investments	479	439	+41	+9.3
Other financial revenue and expenses	6	3	+3	+85.3
FINANCIAL PROFIT/(LOSS)	490	463	+27	+5.8

Dividends (income from equity investments) received from subsidiaries amounted to €479 million, €344 million of which from La Banque Postale and €130 million from GeoPost (compared with €312 million and €126 million in 2017).

Profit on loans and borrowings totalled €5 million at 31 December 2018, compared with €21 million in 2017, i.e. a decrease of €16 million.

Other financial income and expenses primarily comprised the return on term investments.

Financial profit/(loss) amounted to €490 million at 31 December 2018, up €27 million.

10.6.3 NET PROFIT

Profit before tax amounted to -€155 million, a decrease of -€576 million year on year. La Poste's net profit totalled €70 million, a decrease of €589 million.

Tax income decreased by €13 million to €225 million.

10.6.4 FIVE-YEAR SUMMARY

	2018	2017	2016	2015	2014
Financial position at 31/12/N					
Share capital (in € million)	3,800	3,800	3,800	3,800	3,800
No. of shares (in millions)	950	950	950	950	950
Profit for the year (in € million)					
Revenue before tax	11,462	11,746	11,882	12,031	11,916
Profit before tax, depreciation, amortisation and provisions	1	470	603	687	482
Income tax	225	238	183	185	265
Profit after tax, depreciation, amortisation and provisions	70	659	281	347	363
Profit distributed	171	171	171	171	171
Earnings per share (€/share)					
Profit before tax, depreciation, amortisation and provisions	0.00	0.50	0.63	0.72	0.51
Profit after tax, depreciation, amortisation and provisions	0.07	0.69	0.30	0.37	0.38
Profit distributed	0.18	0.18	0.18	0.18	0.18
Personnel					
Number of employees (full-time employee equivalent per annum)	186,184	191,897	197,398	204,421	212,077
Wages and salaries	6,357	6,365	6,460	6,558	6,735
Non-wage labour costs	1,536	1,507	1,500	1,503	1,557

10.6.5 BALANCE SHEET

Assets (in € million)	31/12/2018	31/12/2017
Non-current assets	13,148	12,925
Current assets	2,909	2,735
Cash and cash equivalents	2,491	2,162
TOTAL	18,547	17,822

10.6.5.1 Assets

The increase in current assets notably reflects tax and social security debts (press subsidy, claim against the French State in respect of the CICE), and the debt on international mail.

Cash and cash equivalents (cash and marketable securities) amounted to €2,491 million at 31 December 2018, up by €329 million.

10.6.5.2 Liabilities

Equity amounted to €6,323 million at 31 December 2018, to which are added €750 million in other equity, an increase of €649 million compared with 2017.

Contingency and loss provisions amounted to €1,801 million, and financial debt stood at €5,996 million. Current liabilities amounted to €3,677 million.

Liabilities (in € million)	31/12/2018	31/12/2017
Equity	6,323	6,425
Other equity	750	-
Provisions	1,801	1,942
Financial debt	5,996	6,096
Current liabilities	3,677	3,359
TOTAL	18,547	17,822

10.6.5.3 Payment term indicators

Under Article L. 441-6-1, paragraph 1, of the French Commercial Code, La Poste SA is required to publish, starting with the 2017 financial year, information on the payment terms of its suppliers and its customers according to the terms set out in Article D. 441-4 of the French Commercial Code. La Poste SA has opted for an overview of the unpaid invoices received and issued at the end of the reporting period and in arrears according to the summary table provided in paragraph 1 of Article D. 441-4 of the French Commercial Code.

The following principles have been adopted:

- no invoice is excluded from the calculation of the indicators. This includes litigious or questionable invoices, mainly in the ">91 days" tranche and the invoices with Group companies;
- the assets received have been considered as means of payment, and as such have been recorded in the same tranches of arrears as the invoices to which they refer. By default, these assets are recorded in the "0 day" tranche;
- as the French service provider responsible for the universal postal service, La Poste SA is partially subject to VAT. Consequently, the amount of invoices is presented including tax, excluding non-deductible tax for the purchase, and excluding tax for the sale;
- non-current asset suppliers are not included in the percentage of total purchases over the period.

Closing at 31/12/2018

Article D. 441 I.-1: Invoices received and unpaid
at the end of the reporting period and in arrears

Article D. 441 I.-2: Invoices issued and unpaid
at the end of the reporting period and in arrears

0 d (indicative) 1 to 30 d 31 to 60 d 61 to 90 d > 91 d **Total (1 d and +)** 0 d (indicative) 1 to 30 d 31 to 60 d 61 to 90 d > 91 d **Total (1 d and +)**

(A) Tranches of arrears

Number of invoices concerned in thousands	50					11	419					63
Total number of invoices concerned in millions of euros (incl. tax)	192	9	2	1	4	16	532	16	1	1	34	52
Percentage of total purchases over the period at cost	3.4%	0.2%	0.0%	0.0%	0.1%	0.3%						
Percentage of revenue for the period (excl. tax)							3.9%	0.1%	0.0%	0.0%	0.3%	0.4%

(B) Invoices excluded from (A) relating to disputed or unrecognised receivables and payables

Number of invoices excluded in thousands					0					0
Total number of invoices excluded in millions of euros (specify: excl. tax or including tax)					0					0

(C) Standard payment terms used
(contractual or legal payment terms – Article L. 441-6 or Article L. 443-1 of the French Commercial Code)

Payment terms used to calculate payment arrears	☒ Contractual payment terms: La Poste applies the payment terms laid down in the agreements it enters into with its suppliers. In the majority of agreements, this means: 60 days following invoice issue date ☐ Legal terms:	☒ Contractual payment terms: La Poste applies the payment terms laid down in the agreements it enters into with its customers or in its General Conditions of Sale. At most: 60 days following invoice issue date. ☐ Legal terms:

10.7 Post balance sheet events

None.



CASH, CASH EQUIVALENTS AND SHARE CAPITAL

11

11 CASH, CASH EQUIVALENTS AND SHARE CAPITAL

Information on the share capital and cash flows is provided in Chapter 10, Section 10.5.

Information on the financing structure of the issuer is provided in Chapter 10, Sections 10.5.3 and 10.5.4.



OUTLOOK

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In 2019, Le Groupe La Poste remains committed to implementing its strategic plan "La Poste 2020: Conquering the Future", prepared in 2014.

2019 should be in line with 2018, with a constrained environment for certain markets: the structural decline in mail volumes, as a result of the streamlining and digitisation of the banking, insurance, public and telecom operator sectors; low interest rates, which penalise retail banking; but also the growth of the Parcels and Express activities, combined with pressure on their margins, should continue.

In this context, the Group is determined to continue its transformation by supporting all its business lines in their development.

The Group's priorities remain:

- developing services to individuals for the Services-Mail-Parcels business unit, particularly in the Silver economy and in new services offered by postmen, supporting the growth of parcel volumes driven by the dynamism of e-commerce in France, and that of the cross-border flows of small parcels with Asendia. The business unit will continue to modernise and adapt its industrial facilities, in order to keep up with the growth of parcel volumes, maximise synergies between its mail and parcel businesses, and gradually make itself less sensitive to the traditional mail business. It will also rely on the price increase for mail, which took place on 1 January 2019;
- the development of the express parcel market in Europe, with its GeoPost business unit deploying its strategy to consolidate its European positions and develop in the main international markets. GeoPost will continue to set up new hubs to meet its growth objectives, and to develop new activities (controlled temperature transport in the food and medical areas);
- the diversification of La Banque Postale's activities, in order to strive to contain the negative impact of the low interest rates, notably with the forthcoming launch of its digital bank "Ma

French Bank", and the gradual transformation of its business model through a reorganised sales network. La Banque Postale will continue to pay very close attention to cost control and risk management and to rigorously managing its capital; the year will also be devoted to its strategic equity alliance project with CNP Assurances;

- the proximity and efficiency of its network. La Poste Network improves customer experiences by combining digital and human dimensions in post offices. Its priorities will remain focused on adapting postal coverage formats to new customer uses and on innovation through the development of targeted offers for specific customers (renting smartphones or WiFi routers, tablet bars, etc.);
- customer knowledge. The Digital Services business unit, a lever for the Group's internal transformation, will continue to develop its sales activities through its subsidiaries specialising in digital services, by developing innovative services and offers to support its customers and values of proximity, trust and ethical management of data.

The Group will continue to develop its multi-business model based on the growth waves that it has identified and on its strong assets (see Section 5.1). It will continue its efforts in favour of responsible urban logistics and will continue to position itself as a major player in the energy transition.

The Group therefore anticipates moderate growth in revenue and operating profit; investments and external growth transactions will continue, in support of business units development. It will continue its efforts to reduce overheads while ensuring that support functions best serve the Group's business development.

Its commitment to supporting public service and local authorities priorities, and more generally society as a whole, remains intact.

2019 will be devoted to the implementation of the major strategic equity alliance project with Caisse des Dépôts, in order to create a major public financial unit serving territories.



PROFIT FORECASTS OR ESTIMATES

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13 PROFIT FORECASTS OR ESTIMATES

None.



ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES, AND EXECUTIVE MANAGEMENT

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14.1	Board of Directors	198
14.2	Executive Management	225
14.3	Absence of family ties, convictions and conflicts of interest	232

14.1 Board of Directors

PROFILE OF THE BOARD OF DIRECTORS

21
DIRECTORS
(including
7 representatives elected
by staff and 2 nominated
by decree)

50%
WOMEN⁽¹⁾

**2 years
AND 4 MONTHS**
(AVERAGE YEARS
OF SERVICE)

57 years
AND 6 MONTHS
(AVERAGE AGE)

8
MEETINGS
3
STRATEGIC
SEMINARS

14.1.1 COMPOSITION OF THE BOARD OF DIRECTORS

In accordance with the provisions of law No. 90-568 of 2 July 1990 as amended on the organisation of La Poste's and France Telecom's public services, and Title II of the Order of 20 August 2014, La Poste's Board of Directors has 21 members. It includes:

- the French State, represented by Charles Sarrazin, appointed by decree;
- 11 directors appointed by the General Shareholders' Meeting upon a proposal by the French State and/or Caisse des Dépôts:
 - Chairman and Chief Executive Officer, Philippe Wahl. He is appointed as director by the General Shareholders' Meeting upon a proposal by the French State and Caisse des Dépôts,
 - 7 directors appointed by the General Shareholders' Meeting upon a proposal by the French State: Martin Ajdari, Marie-Pierre de Baillencourt, Corinne Lejbowicz, Philippe Lemoine, Françoise Malrieu, Sophie Mantel, Serge Morvan,
 - 3 directors appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts: CDC, represented by Éric Lombard, Virginie Chapron-du Jeu, and Olivier Sichel;
- 2 directors appointed by decree, Agnès Le Brun representing the municipalities and groups of municipalities and Hélène Carnet representing users;
- 7 staff-elected directors: Alain Bard, Jacques Dumans, Brigitte Jonon, Jean-Yves Lautridou, Hugo Reis, Yves Renaud, Annette Rivard.

The term of office for the Board of Directors' members is five years⁽²⁾. Should a member of the Board of Directors leave office for any reason, a replacement will sit only for the duration of the remaining term of office, until the entire Board is renewed.

Detailed information concerning the Board Committees within the Board of Directors can be found in Chapter 16, Section 16.4.

(1) Percentage not including directors representing employees (7 directors, of which 2 women) in accordance with the AFEP-MEDEF Code.

(2) The directors' terms of office expired on 21 December 2015. As an exception, the current terms of office will last five years and one month to avoid reappointments falling during Parliament's summer recess, since the Chairman has to be auditioned by the chambers before being appointed by the Council of Ministers. The current terms of office will expire on 20 January 2021.

4 BOARD COMMITTEES

Strategy and Investment Committee

For the purpose of preparing the work of the Board of Directors, the Committee analyses the strategic growth drivers of La Poste and its Group in France and abroad, reviews the multi-annual business plan, studies planned asset acquisitions or disposals for amounts exceeding €30 million and monitors the main items of the public service agreement signed with the French State.

Number of members: 8

Number of meetings in 2018: 7

Attendance rate: 89%

Audit Committee

The role of the Audit Committee is to assist the Board of Directors in its analysis, for La Poste and companies within its Group, of the financial statements, the main financial information, the mapping of the primary risks and the policy for managing these risks as well as internal control procedures.

Number of members: 6

Number of meetings in 2018: 4

Attendance rate: 69.57%

Compensation and Governance Committee

For the purpose of preparing the work of the Board of Directors, the Committee issues all recommendations on the compensation of La Poste's corporate officers and formulates an opinion on any proposal pertaining to the general principles of the compensation policy. It oversees the annual assessment of the Board of Directors and is informed by the Chairman of the Board of Directors of the appointment, compensation and planned replacement of the executives of La Poste and its main subsidiaries.

Number of members: 4

Number of meetings in 2018: 1

Attendance rate: 100%

Quality and Sustainable Development Committee

The Committee helps the Board of Directors analyse the quality of the services that La Poste and the Group's companies provide to their customers, as well as the sustainable development within La Poste and the Group's companies, and communicates to the Board any useful recommendations pertaining to these matters. It also reviews the well-being of those working at La Poste as well as best practices in this regard.

Number of members: 7

Number of meetings in 2018: 3

Attendance rate: 85.72%

As of the date of submission of this registration document, the composition of the Board of Directors is as follows:

First name, last name	Gender parity	Age*	Appointment date	Appointment end date	Attendance	Replacing	Committee
The French State represented by Mr Charles Sarrazin		45	08/09/2017	20/01/2021	100%	Mr Bertrand Walckenaer	  
Mr Philippe Wahl		63	21/12/2015 ⁽¹⁾	20/01/2021	100%	Mr Philippe Wahl	
			21/01/2016 ⁽²⁾	20/01/2021	100%	Mr Philippe Wahl	
Mr Martin Ajdari		50	21/12/2015	20/01/2021	62.5%	Mr Martin Ajdari	
Mrs Marie-Pierre de Baillencourt		49	21/12/2015	20/01/2021	100%	Mr Jean-Michel Hubert	
Ms Corinne Lejbowicz		58	23/02/2016	20/01/2021	100%	Mr Christian Martin	
Mr Philippe Lemoine		69	21/12/2015	20/01/2021	87.5%	Mr Philippe Lemoine	 
Ms Françoise Malrieu		73	21/12/2015	20/01/2021	100%	Ms Françoise Malrieu	
Ms Sophie Mantel		53	21/12/2015	20/01/2021	75%	Ms Sophie Mantel	
Mr Serge Morvan		59	21/06/2018	20/01/2021	40%	Mr Jean-Benoît Albertini	
Mr Éric Lombard Permanent representative of Caisse des Dépôts		60	13/12/2017	20/01/2021	87.5%	Mr Pierre-René Lemas	
Ms Virginie Chapron-du Jeu		57	14/11/2017	20/01/2021	100%	Mr Franck Silvent	 
Mr Olivier Sichel		51	22/02/2018	20/01/2021	75%	Ms Nathalie Gilly	 
Ms Hélène Carnet		67	21/12/2015	20/01/2021	75%	Ms Élyane Zarine	
Ms Agnès Le Brun		57	07/11/2017	20/01/2021	37.5%	Mr Jacques Pélissard	
Mr Alain Bard		57	21/12/2015	20/01/2021	87.5%		
Mr Jacques Dumans		64	21/12/2015	20/01/2021	100%		 
Ms Brigitte Jonon		58	21/12/2015	20/01/2021	87.5%		 
Mr Jean-Yves Lautridou		56	21/12/2015	20/01/2021	100%		
Mr Hugo Reis		46	30/06/2018	20/01/2021	100%	Mr Régis Blanchot	
Mr Yves Renaud		63	21/12/2015	20/01/2021	100%		
Ms Annette Rivard		51	21/12/2015	20/01/2021	87.5%		

* Age at the date of publication of the document  Audit Committee  Strategy and Investment Committee

 Strategy and Investment Committee  Quality and Sustainable Development Committee  Chairwoman of the Committee

(1) Appointed by the Combined General Meeting / Director proposed by the shareholders.

(2) Appointed Chairman and Chief Executive Officer by decree.

The government representative and the Head of the French State's economic and financial control unit at La Poste also attend Board of Directors' meetings in a non-voting capacity.

The powers and functioning of the Board of Directors, and its activities in 2018, are described in Chapter 16.

14.1.2 PROFILES OF THE MEMBERS OF THE BOARD OF DIRECTORS

The tables below indicate the names of directors as at 1 January 2019 as well as their date of birth, main duties performed within or outside La Poste and the terms of office served outside La Poste over the last five years, which have expired, as required by Article L. 225-102-1 of the French Commercial Code.

The directors of La Poste are all French nationals.

Director representing the French State appointed by decree

THE FRENCH STATE, REPRESENTED BY CHARLES SARRAZIN



Director
Member of the Audit Committee
Member of the Compensation and Governance Committee
Member of the Strategy and Investment Committee

Date of birth: 02/03/1974

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

Date of first appointment:
08/09/2017

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 100%

Biography – Professional experience

Born in 1974. A graduate of École polytechnique (1997), Institut d'études politiques (IEP) de Paris (1999) and École nationale de la statistique et de l'administration économique (ENSAE, 1999), he was appointed adviser to the Administrative Court and the Administrative Court of Appeal in 2003 after leaving École nationale d'administration (ENA). Seconded as economic adviser, assistant to the office manager of the sales policy, the WTO and sales agreements in the Multilateral Affairs Department in the Treasury and Economic Policy General Department in September 2005, he was subsequently rapporteur and then Assistant General Secretary to the Interministerial Committee on Industrial Restructuring (CRI) from July 2007 to January 2009.

He became Head of the Financing of Housing and General Interest Activities Office in the Directorate General of the Treasury in February 2009, then adviser for the Economy, Finance and Business in the Office of the Prime Minister from January to May 2012. Head of the Financial Stability, Accounting Standards and Corporate Governance Office in the Directorate General of the Treasury from July 2012 to December 2014, he was appointed in January 2015 as Deputy Head of International Financing of Business in the Directorate General of the Treasury. In September 2017, he joined the Agency of Shareholdings of the French State as Head of Equity Investments Services and Finances.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste
- Director of Bpifrance Participations and Bpifrance Investissements
- Member of the Supervisory Board of Arte France
- Director of France Télévisions

Listed companies

- Director of CNP Assurances

Terms of office expired in the last five years

- Director of ODAS
- Director of TSA

Director appointed by the General Shareholders' Meeting upon a proposal by the French State and Caisse des Dépôts

PHILIPPE WAHL



Chairman of the Board
of Directors
Chairman and Chief Executive
Officer

Date of birth: 11/03/1956

Business address:
La Poste
9, rue du Colonel-Pierre-Avia
Case postale A 701
75757 Paris Cedex 15

Date of first appointment:
01/08/2013

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 100%

Biography – Professional experience

A graduate of Institut d'études politiques de Paris (IEP), Philippe Wahl is a former student of ENA and holds a post-graduate research degree (DEA) in Economics. He began his career as an auditor and master of requests (maître des requêtes) at the French Council of State. Special adviser to the Chairman of the Stock Exchange Committee (Commission des opérations de bourse, COB, 1986), in 1989 he joined the office of Michel Rocard, Prime Minister, as technical adviser for economic, financial and tax affairs. Adviser to the Chairman of Compagnie Bancaire (1991), then Deputy Chief Executive (1994), in 1997 he was appointed Head of Specialist Financial Services at Paribas. In 1999, he became Chief Operating Officer of Caisse Nationale des Caisses d'Épargne. Through this, he became Chairman of Sopassure and of the Board of Directors of Écureuil Assurances IARD, and a member of the Supervisory Boards of CDC Ixis and CNP Assurances.

Appointed Chief Operating Officer of the Havas group in 2005, he became Vice-President of the Bolloré group in 2006. After having joined the Royal Bank of Scotland in 2007 as Managing Director for France, he was appointed adviser to the Global Banking and Markets Board in London and Managing Director for France, Belgium and Luxembourg in 2008, before being appointed Chairman of the Management Board of La Banque Postale and Executive Vice-President of Le Groupe La Poste in January 2011. In September 2013, Philippe Wahl became Chairman and Chief Executive Officer of Le Groupe La Poste, and in October he became Chairman of the Supervisory Board of La Banque Postale.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste
- Chairman of the Supervisory Board of La Banque Postale
- Permanent representative of La Poste and Director of GeoPost and Poste Immo
- Director of Sopassure

Listed companies

- Director of CNP Assurances

Terms of office expired in the last five years

- Chairman of the Management Board of La Banque Postale
- Director of Société de financement local
- Chairman of the Supervisory Boards of La Banque Postale Financement, XAnge Private Equity, La Banque Postale Gestion Privée and La Banque Postale Asset Management
- Chairman of the Board of Directors of La Banque Postale Assurance Santé, La Banque Postale Prévoyance and La Banque Postale Assurances IARD
- Chairman and Chief Executive Officer of SF2 and Sopassure
- Member of the Supervisory Board of Fonds de Garantie des Dépôts
- Managing Director of Royal Bank of Scotland PLC and of Royal Bank of Scotland NV
- Vice-Chairman of the Supervisory Board of Société Financière de Paiements
- Permanent representative of La Poste and Director of Sofipost

Directors appointed by the General Shareholders' Meeting upon a proposal by the French State

MARTIN AJDARI



Biography – Professional experience

A graduate of ESCP, IEP of Paris and ENA (René Char class).

Martin Ajdari began his career at the Ministry of the Economy and Finance in 1995 before becoming Chief Financial and Administration Officer of Radio France Internationale in 1999. From 2000 to 2002, he worked for the Office of the Minister of Finance, and then became Head of the Housing Finance Office at the Ministry of the Economy, Finance and Industry (2002-2004).

From 2004 to 2009, he was Deputy Managing Director of Radio France. In 2009, he became Deputy Director of Opéra de Paris. From September 2010 to 2014, he became Associate Managing Director of resources and General Secretary of Groupe France Télévisions. He joined the office of the Minister of Culture in May 2014. In May 2015, he was appointed Managing Director of Cultural Media and Industries within the Ministry of Culture.

Director
Member of the Quality and Sustainable Development Committee

Date of birth: 11/12/1968

Business address:
Ministère de la Culture
et de la Communication
182, rue Saint-Honoré
75033 Paris Cedex 01

First appointment: 30/07/2015

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board meetings: 62.5%

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste
- Member of the Board of Directors of France Médias Monde
- Member of the Board of Directors of Radio France
- Member of the Board of Directors of France Télévisions
- Member of the Board of Directors of Agence France Press

Listed companies

None

Terms of office expired in the last five years

None

Directors appointed by the General Shareholders' Meeting upon a proposal by the French State

MARIE-PIERRE DE BAILLIENCOURT



Director
Chairwoman of the Quality
and Sustainable Development
Committee

Date of birth: 06/02/1970

Business address: NA

Date of first appointment:
21/12/2015

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 100%

Biography – Professional experience

Marie-Pierre de Baillencourt has spent most of her career in positions with an operational and international scope. Marie-Pierre de Baillencourt began her career at the United Nations as a Sherpa to the General Secretary (Boutros Boutros-Ghali and Kofi Annan, 1995-1997). She then developed a substantial amount of expertise in international strategy and acquisitions at Rexel, a subsidiary of the PPR group, where she was in charge of international development. In 2001, she joined the consulting firm McKinsey and spent most of her time working on strategic development challenges as well as in the high-tech sector.

In 2004, she joined Dassault Systèmes, where she was Chief of Staff, then Vice-President of Industry. In this capacity, she defined and implemented a global multi-brand strategy for the industrial solutions of Dassault Systèmes.

She also supported the group's integration and development by strategically managing partnerships and transforming the company's business model. In 2012, Marie-Pierre de Baillencourt joined Bull as Executive Vice-President in charge of group transformation and value creation, in particular through innovation and performance development. In January 2015, she joined Naval group (formerly DCNS) as Executive Vice-President, where she oversaw group development and the consistency of the policies and projects that contributed to it. She left Naval group in July 2017. Marie-Pierre de Baillencourt holds a doctorate degree in Geopolitics from the University of Paris-Sorbonne and in International Affairs from Johns Hopkins University.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste
- Manager of MPBC Conseil
- Director of RUAG group Switzerland
- Member of the RUAG Strategic Committee

Listed companies

None

Terms of office expired in the last five years

- Director of Gaztransports et Technigaz
- Member of the Audit and Risks Committee of Gaztransports et Technigaz
- Member of the Compensation and Appointments Committee of Gaztransports et Technigaz
- Executive Vice-President of Development at DCNS group
- Member and Chairman of the Board of Directors of DCNS Coopération
- Chairwoman of the Board of Directors of DCNS Australia
- Member of the Supervisory Board and of its specialised Committees of La Banque Postale
- Member of the Strategic Committee of La Banque Postale
- Chairwoman of the Board of Directors of DCNS Malaysia

Directors appointed by the General Shareholders' Meeting upon a proposal by the French State

CORINNE LEJBOWICZ



Director
Member of the Strategy
and Investment Committee

Date of birth: 17/04/1960

Business address: NA

First appointment: 23/02/2016

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 100%

Biography – Professional experience

Corinne Lejbowicz is a graduate of ESCP Europe and of Institut d'études politiques de Paris (IEP). She began her career in 1986 as Head of Marketing and Exports at Nemo, a modern design furniture "start-up". From 1987 to 1994, she held positions in sales, and was then Managing Director at TBWA. In 1994, she joined Infogrammes and helped launch the first partnerships between content publishers and e-retailers. From 1996 to 1998, she was Head of the high-speed Internet access project at Numéricable. In 1998, she was appointed Head of Strategy and New Projects at the AOL France subsidiary.

She then took over as Head of Strategic Marketing for the Internet division at Groupe Vivendi's holding company.

In 2005, she joined France's leading independent operator of search engines, comparators and online shopping guides, LeGuide.com, first as Deputy Chief Executive Officer, then as Chief Executive Officer, and lastly as Chairwoman and Chief Executive Officer from 2007 to 2012. She has been Managing Director of PrestaShop since July 2015.

Corinne Lejbowicz has also been a mentor at Moovjee, a non-profit organisation that encourages young entrepreneurship since 2011.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of Lengow
- Director of Agriconomie
- Director of Bird Office

Listed companies

None

Terms of office expired in the last five years

- Director of Educlever (resigned on 18 February 2016)
- Director of Filae
- Managing Director and Board member of PrestaShop

Directors appointed by the General Shareholders' Meeting upon a proposal by the French State

PHILIPPE LEMOINE



Director
Chairman of the Compensation
and Governance Committee
Member of the Quality and
Sustainable Development
Committee

Date of birth: 03/11/1949

Business address:
Forum d'Action Modernités
48, boulevard Voltaire
75011 Paris

Date of first appointment:
26/06/2009 (after having been
Director of La Poste from 2004
to 2007)

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 87.5%

Biography – Professional experience

A graduate of Institut d'études politiques (IEP) de Paris, Philippe Lemoine holds a degree in law, and successfully passed the French civil law open examinations; he also holds a postgraduate degree in Economics. Philippe Lemoine started his career as a researcher. Whilst he was an engineer at the National Institute for Research in Computer Science and Control (INRIA), he also studied sociology at the School for Advanced Studies in the Social Sciences (EHESS).

In 1976, he was called to the Ministry of Industry to assume responsibility for the Computerisation of Society Project and helped draw up the Nora-Minc report. He subsequently joined the office of Norbert Segard and then Pierre Aigrain (technology and society report). In 1981, he was appointed government representative at CNIL (1982–1984); in 1982, he took over the Technology, Employment, Work Programme, becoming Vice-Chairman of the National Committee at the Ministry of Research.

At the end of 1984, he joined the Galeries Lafayette group. In 1998, he was named co-Chairman of the Group's Management Board (1998–2005). From 1995 to 2014, Philippe Lemoine was also Chairman and Chief Executive Officer of LaSer group and sat on the Board of Directors of GDF-Suez, BNP Paribas Personal Finance and Monoprix SA. Since 2014, he has been a qualified personality at CNIL, a position that he held from 1999 to 2009. Director of the Collège de France Foundation, the Maison des sciences de l'Homme Foundation, the ADIE Foundation, he was also co-Chairman of GS1, Vice-Chairman of the Medef Innovation and Research Commission, Chairman of the Internet Nouvelle Génération Foundation (FING) and Founding Chairman of Forum d'Action Modernités. In 2014, he was commissioned by the government to conduct an audit on the digital transformation of the economy.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste
- Chairman of FING
- Director of the Collège de France Foundation
- Director of the ADIE Foundation
- Chairman of Forum d'Action Modernités
- Co-Chairman of the Supervisory Board of GS1 France
- Member of the Board of CNIL and CADA

Listed companies

None

Terms of office expired in the last five years

- Chairman and CEO of LaSer
- Chairman of the Galeries Lafayette department stores company
- Director of the Maison des sciences de l'homme Foundation

Directors appointed by the General Shareholders' Meeting upon a proposal by the French State

FRANÇOISE MALRIEU



Director
Chairwoman of the Strategy
and Investment Committee

Date of birth: 07/02/1946

Date of first appointment:
17/12/2005

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 100%

Biography – Professional experience

A graduate of École des hautes études commerciales (HEC) and the Financial Analysis Training Centre (CFAF), Françoise Malrieu began her career at BNP in 1969, where she worked as a financial analyst. Vice-President (1974) responsible for monitoring equity investments in the BNP group's corporate banking arm, Banexi, she was appointed assistant manager of the Financial Analysis Department in 1979 and later headed this department in 1982. At the same time, she was elected General Secretary then Vice-President of Société française des analystes financiers (SFAF).

She continued her career in the field of Mergers/Acquisitions at Lazard Frères (1987-2001), where she was director, manager then partner-manager and

headed up the Mergers/Acquisitions Team, before joining Deutsche Bank (2001-2003) as Managing Director in Paris and London, manager of the Corporate Finance team for France and Senior Banker, then Aforge Financing, as partner-manager until 2009.

Françoise Malrieu was appointed director (2008), then Chairwoman of the Board of Directors (2010) of Société de financement de l'économie française (SFEF). In 2010, she was the deputy inspector of market professionals' compensation. Since May 2013, she has been a member of the Board of Directors of Institut français des administrateurs (French Institute of Directors – IFA).

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste
- Director of Lazard Frères bank

Listed companies

- Director of ENGIE

Terms of office expired in the last five years

- Director of Aéroports de Paris
- Chairman of the Board of Directors of Société de financement de l'économie française [French Financing Agency]
- Member of the Supervisory Board of Oberthur Technologies
- Member of the Supervisory Board of Bayard Presse SA

Directors appointed by the General Shareholders' Meeting upon a proposal by the French State

SOPHIE MANTEL



Biography – Professional experience

A graduate of École polytechnique (1987) and ENSAE (École nationale de la statistique et de l'administration économique – 1989); Sophie Mantel is a Controller-General of Economics and Finance. She started her career in the direction de la prévision [Forecasting Department] (1989-1992), before moving to the Budget Department, where she headed up the 6C office (pension schemes, pension plans etc.), and later the 2A office (civil service wage and employment policy, etc.); special adviser to the Budget manager in 1999, she joined the organic law project team and was in charge of implementing the organic law concerning finance in the area of personnel expenditure.

In 2006, Sophie Mantel became Head of the Management Systems Processes and Functionalities Department in the DGME (French government Modernisation Executive Management) before joining the Budgetary Audit and Internal Control Mission (MACIB) where she took over management in 2011. Since August 2013, she has been Head of the department, assistant to the Director of Budget.

Director
Member of the Audit Committee

Date of birth: 18/10/1965

Business address:
Ministère de l'Action et des
Comptes Publics
139, rue de Bercy
Teledoc 241
75572 Paris Cedex 12

Date of first appointment:
26/09/2013

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 75%

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste
- Government commissioner with regard to La Française des Jeux
- Director of PMU
- Director of Naval group
- Director of SNCF Mobilités

Listed companies

None

Terms of office expired in the last five years

- Director of Institut Pasteur

Directors appointed by the General Shareholders' Meeting upon a proposal by the French State

SERGE MORVAN



Director

Date of birth: 20/09/1959

Business address:
Commissariat général à l'égalité
des territoires
TSA 10717
20 avenue de Ségur
75334 Paris Cedex 07

First appointment: 21/06/2018

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 40%

Biography – Professional experience

Having joined the French civil service through the open competition for Tax Inspectors in 1983, he was admitted to the "École nationale d'administration" (ENA) in 1992. Deputy Head of the Office for State Financial Assistance within the Directorate General of Local Authorities in 1994, he became Head of this office in 1996. Deputy Prefect of Saint-Benoît on Reunion Island in 1998, he joined the office of the Minister of the Interior as technical adviser in 2000. Appointed General Secretary for Regional Affairs reporting to the Prefect of the Region of Alsace, Prefect of the department of Bas-Rhin, in 2002, he was appointed Head of Department Services in the department of Saône-et-Loire in 2004.

General Secretary of the Prefecture of Seine-Saint-Denis in 2008, he became Chief Executive Officer of services of the Seine-Maritime General Council in 2010. From 2012 to 2014, he headed the Directorate General of Local Authorities. After serving as the Chief of Staff of the Secretary of State for Local Government Reform between 2014 and 2015, he was appointed Prefect of the Yvelines department. Serge Morvan has been Commissioner General for Regional Equality since 23 April 2018.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Terms of office expired in the last five years

Non-listed companies

None

- Member of the Supervisory Board of SNCF
- Member of the Board of Directors of the Agence de financement des infrastructures de transport de France (AFITF)
- Member of the Board of Directors of the Conseil national des économies régionales (CNER)
- Member of the Board of Directors of the Agence du service civique
- Member of the Board of Directors of the Agence de services et de paiement (ASP)
- Member of the Supervisory Board of Société du Grand Paris
- Member of the Board of Directors of GIP Agence française des villes et territoires méditerranéens durables
- Member of the Board of Directors of the Institut des hautes études de développement et d'aménagement en Europe (IHEDATE)
- Member of the Board of Directors of Cité de l'architecture et du patrimoine
- Member of the Board of Directors of Conservatoire de l'espace littoral et des rivages lacustres

Listed companies

None

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts

CDC REPRESENTED BY ÉRIC LOMBARD



Biography – Professional experience

Born on 16 May 1958, graduated from "École des hautes études commerciales" (HEC – 1981), Mr Lombard was technical adviser to the office of the government spokesman (1989-1991), adviser to the Under-secretary of Justice (1991-1992), adviser to the Minister of the Economy and Finance (1992-1993), Head of Mergers & Acquisitions in the BNP Paribas Banking and Insurance Department (1993-1999), manager of the Financial Institutions group and member of the

Executive Management of the Financing and Investment Bank – BNP Paribas (1999-2002), manager of Corporate and Institution Relations – BNP Paribas (2002-2004), Chief Executive Officer of BNP Paribas Cardif (2004-2006), Chairman and Chief Executive Officer of BNP Paribas Cardif (2006-2013), Chief Executive Officer then Chairman and Chief Executive Officer of Generali France (2013-2017), Chairman of the Board of Directors of Europ Assistance Holding (2015-2017).

Director
Member of the Compensation
and Governance Committee

Date of birth: 16/05/1958

Business address:
Caisse des Dépôts
56, rue de Lille
75356 Paris 07 SP

Date of first appointment:
13/12/2017

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 87.5%

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Chairman of the Supervisory Board of CDC Habitat
- Chairman of the Board of Directors of BPI France
- Representative of Caisse des Dépôts on the Supervisory Board of the European "Marguerite" Funds
- Chairman of the Management Board of the Fonds de réserve pour les retraites

Listed companies

- Director of CNP Assurances
- Member of the Compensation and Appointment Committee of CNP Assurances

Terms of office expired in the last five years

- Chairman and Chief Executive Officer of Generali France
- Chairman of the Board of Directors of Europ Assistance Holding
- Manager of Halmahera SARL
- Director of Deutsche Vermögensberatung A.G.
- Director of Association Paris Europlace
- Chairman of the Economic and Financial Committee (EcoFin) of Insurance Europe
- Chairman of Université de l'assurance
- Member of the Executive Committee of the Fédération Française de l'Assurance

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts

VIRGINIE CHAPRON-DU JEU



Biography – Professional experience

Mrs Chapron-du Jeu successively served as Head of the IXIS-CIB Risk Management and Control Department, manager of the Strategy/Financing/General Business Division of the same institution, Head of the Financial

Department of Caisse des Dépôts, project manager reporting to the CDC Executive Vice President, manager of CDC Investments and Accounting, and manager of CDC group Finance.

Director
Chairwoman of the Audit Committee
Member of the Quality and Sustainable Development Committee

Date of birth: 13/10/1961

Business address:
Caisse des Dépôts
56, rue de Lille
75356 Paris 07 SP

Date of first appointment:
14/11/2017

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board meetings: 100%

List of terms of office and other functions in French and/or foreign companies

Current offices

- Director of CNP Assurances
- Director of Humanis-Retraite Arrco
- Director of BPI France SA
- Director of CDC GPI SA and CDC GPII
- Chairwoman of Novethic
- Director of RTE and CTE (Co-entreprise de Transport d'Electricité)
- Chairwoman of Alter-Egales

Terms of office expired in the last five years

None

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts

OLIVIER SICHEL



Director
Member of the Strategy
and Investment Committee
Member of the Audit Committee

Date of birth: 30/04/1967

Business address:
Caisse des Dépôts
56, rue de Lille
75356 Paris 07 SP

First appointment: 22/02/2018

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 75%

Biography – Professional experience

First a financial inspector at the Ministry of the Economy and Finance, he became, in 1998, agency manager at France Telecom. In 2000, he became Chairman and Chief Executive Officer of Alapage.com, a pioneering e-commerce company and subsidiary of Wanadoo, where he also became Chairman and Chief Executive Officer in 2002. He then managed the integration of the French leader in Internet access into the parent company, France Telecom, where he became Executive Director of the Europe Fixed Line & Internet Division. He left the company, which had become the second largest supplier in ADSL, in 2006, after having launched the triple play offers with Livebox and VOIP. Partner at the venture capital firm Sofinnova, he oversaw investments in innovative digital businesses. He worked in particular to develop open source players and various platforms.

He also conducted numerous financial transactions and initial public offerings. In 2012, he became Chairman and Chief Executive Officer of the European leader in pure-Internet shopping guides, *LeGuide.com*, which he sold to Kelkoo in 2016. Sensitive to the trend towards oligarchic control of the Internet, he has since devoted himself to defending an open and humanistic European understanding of the network. He created and chaired the Digital New Deal Foundation, a think tank dedicated to digital technologies that has proposed a Digital Pact to candidates for the presidential election. Finally, he has been a member of the National Orientation Committee of BPI France since its creation. In December 2017, Olivier Sichel was appointed Executive Vice President of Caisse des Dépôts, in charge of managing the strategic review of subsidiaries and financial investments.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of BPI France

Listed companies

- Director of CNP Assurances

Terms of office expired in the last five years

- Chairman and Chief Executive Officer of *LeGuide.com*
- Director of Alpha Mos SA

Director appointed by decree representing users

HÉLÈNE CARNET



Biography – Professional experience

After having worked in a medical laboratory for three years, Hélène Carnet led a rural development project in Rwanda from 1976 to 1980. She then set up as a farmer in Manche (dairy farm). She was a member of the Dairy Quality Control Board of Directors. Starting in 1991, she launched a rural tourism business.

As a long-standing and very involved member of Familles rurales (the French Association of Rural Families), she became Chairwoman of the Departmental Federation of Manche (from 1998 to 2004), then the Regional Federation of Normandy (from 2004 to 2015). She has been the National Vice-Chairwoman of Familles Rurales since 2014. In 2015, she helped implement the Secular Charter between CNAF and its social partners.

Director
Member of the Quality
and Sustainable Development
Committee

Date of birth: 05/02/1952

Business address:
Familles rurales
2 bis, Longue Vue
des Astronomes
14111 Louvigny

Date of first appointment:
21/12/2015

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 75%

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste
- User representative within CCAS and the AEP BAIE-BOCAGE joint union
- Vice-Chairwoman of Familles rurales

Terms of office expired in the last five years

- Representative of Familles rurales on the Board of Directors of the Union nationale des associations familiales (National Union of Family Associations – UNAF)
- Chairwoman of the Normandy Regional Federation within Familles Rurales

Director appointed by decree representing municipalities and groups of municipalities

AGNÈS LE BRUN



Biography – Professional experience

Born on 28 December 1961, graduated in the Classics, she taught for 23 years at secondary, sixth-form college and university level.

Elected as Mayor of Morlaix and local councillor in the canton of Morlaix in 2008, she became a member of the European Parliament in January 2011.

She is also Vice-Chairman of the French Mayors' Association. member of the Executive Office. She has been a Regional Councillor for Brittany since December 2015.

Director

Date of birth: 28/12/1961

Business address:

French Mayors' Association
41, quai d'Orsay
75343 Paris Cedex 07

Date of first appointment:
07/11/2017

Term of office expiry date:
20/01/2021

Attendance rate at 2018 Board
meetings: 37.5%

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste

Terms of office expired in the last five years

None

Staff-elected directors

ALAIN BARD



Biography – Professional experience

Alain Bard joined the Postal and Telecommunications Administration in 1982, and then moved to the mail sorters department at Gare de l'Est after having taken classes at Paris Brune. In 1984, he joined social services as Head of New Hires before being promoted to Head of the Digne-les-Bains post office in 1986.

Throughout his entire career, he has been an activist in the CGT, and has held various positions within the CGT-FAPT Federation and local organisations.

Director
Member of the Strategy
and Investment Committee

Date of birth: 07/11/1961

Business address:
Union Départementale CGT
Bourse du travail
42, boulevard Victor-Hugo
04000 Digne-les-Bains

Date of first appointment:
21/12/2015

Term of office expiry date:
20/01/2021

Sponsored by CGT

Attendance rate at 2018 Board
meetings: 87.5%

Elected by employees on
20/11/2015

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Terms of office expired in the last five years

Non-listed companies

None

- Director of La Poste

Staff-elected directors

JACQUES DUMANS

Director
Member of the Strategy
and Investment Committee
Member of the Compensation
and Governance Committee

Date of birth: 28/12/1954

Business address:

La Poste
Jacques Dumans
Director
9, rue du Colonel-Pierre-Avia
Case postale A 702
75757 Paris Cedex 15

Date of first appointment:
21/12/2015

Term of office expiry date:
20/01/2021

Sponsored by FO

Attendance rate at 2018 Board
meetings: 100%

Elected by employees on
20/11/2015

Biography – Professional experience

In 1973, Jacques Dumans joined the France Télécom main operations centre in Clermont-Ferrand as a contract employee before becoming a permanent government employee in 1975. In 1984, he became a technical inspector by winning an internal competition and was transferred to La Poste (Clermont-Ferrand Sorting Centre). He then joined La Poste's Maintenance and Facilities Department, first in Montrouge as technical manager in the Montrouge Organisation and Methods Division between 1985 and 1991, then as Head of the Documentation and Technical Management Centre, Head of the Customer Relations Division in Chartres (1995) and Head of the Methods and Procedures Division for Post Office Equipment in Chartres (1997).

He has held many positions in the Support and Maintenance Department (DSEM): Head of the Support and Operations Division from 1999 to 2002, Head of the Logistics Division from 2002 to 2007 and Head of the Expertise and Methods Division until 2010. Jacques Dumans was a lecturer at the University of Technology in Chartres from 2000 to 2007. From 2007 onwards, he has held various positions at Fédération FOCom: responsible for management staff (2000-2007), responsible for the Secteurs Poste (2008-2010) and General Secretary of Fédération FOCom (2010-2015). Jacques Dumans holds a Bachelor's degree in Production, which he received through validation of prior experience.

List of terms of office and other functions in French and/or foreign companies**Current terms of office****Terms of office expired in the last five years****Non-listed companies**

None

- Director of La Poste

Staff-elected directors

BRIGITTE JONON



Director
Member of the Audit Committee
Member of the Quality
and Sustainable Development
Committee

Date of birth: 10/08/1960

Business address:
La Banque Postale
Operations Department
Project manager
Case postale 0 305
115, rue de Sèvres
75275 Paris Cedex 06

Date of first appointment:
21/12/2015

Term of office expiry date:
20/01/2021

Sponsored by CGT

Attendance rate at 2018 Board
meetings: 87.5%

Elected by employees on
20/11/2015

Biography – Professional experience

Brigitte Jonon holds a DEUG (two-year university degree) in Economic and Social Administration, and began her career at La Poste as a controller at the Gennevilliers Grésillons post office in 1983, then at the Paris 17 Wagram post office in 1985. From 1987 to 1999, she was a trainer at the Paris Training Centre, and then at the Recruitment and Training Institute. In 1999, she was appointed IT manager in La Poste's Financial Centres Department in the Greater Paris region. She joined the Financial Services Operations Department in 2000 as IT project manager. She became a CGT activist in 2003 and joined the National Bureau of the CGT FAPT Union fédérale des cadres (Federal Union of Managers).

In 2006, she was appointed senior manager and held the position of Head of Information Systems before joining La Banque Postale's Banking Transactions Department in 2008. In 2009, she was designated to be a member of staff at the CHSCT (Comité d'Hygiène, de Sécurité et des Conditions de Travail). She has been the planning project manager within the Operations Department since 2011. From 2013 to 2015, she was a staff representative of La Banque Postale UES as a union delegate. She was also elected to the Works Council and sat on the Group Committee (2014).

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste

Terms of office expired in the last five years

None

Staff-elected directors

JEAN-YVES LAUTRIDOU



Biography – Professional experience

Holder of a Master's degree in Political and Public Communication, Jean-Yves Lautridou joined La Poste in 1982 as a General Service operating officer, and then worked in a large post office in Paris before becoming Head of La Poste's residential housing. He has been Federal Secretary of the CFDT Communication Conseil et Culture federation since 1997, in charge of monitoring Health at Work, Disability and Housing cases.

He represents the CFDT trade union on the Board of Directors of Union d'économie sociale pour le logement (Social Economy Union for Housing - UESL). UESL is a joint body responsible for coordinating the policies of Action logement (1% housing). He is now a manager at Poste Immo.

Director
Member of the Audit Committee

Date of birth: 18/06/1962

Business address:
La Poste

Direction opérationnelle
de l'immobilier
111, boulevard Brune
75618 Paris Cedex 14

Date of first appointment:
21/12/2015

Term of office expiry date:
20/01/2021

Sponsored by CFDT

Attendance rate at 2018 Board
meetings: 100%

Elected by employees on
20/11/2015

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Terms of office expired in the last five years

Non-listed companies

None

- Director of La Poste

Staff-elected directors

HUGO REIS



Director
Member of the Strategy
and Investment Committee

Date of birth: 27/03/1972

Business address:
Centre Financier d'Orléans
La Poste
1 rue Edouard Branly
45900 La Source Cedex 9

First appointment: 30/06/2018

Term of office expiry date:
20/01/2021

Sponsored by SUD

Attendance rate at 2018 Board
meetings: 100%

Elected by employees on
20/11/2015

Biography – Professional experience

After studying chemistry, he was hired in 1996 at the Postal Cheques service in Orléans La Source in the Cheque Data Entry Workshop. After several temporary contracts in various departments of the financial centre (night sorting, cheque book printing workshop among others), he served as a union representative at the Orléans financial centre from 2000 to 2004. He then returned to customer services to manage the call centre and the sale of financial products.

In 2008, he was appointed SUD-PTT Federal Secretary, where he dealt, among other things, with the La Poste subsidiaries and legal issues. Treasurer of the SUD-PTT federation from 2016 to 2018, he returned to the financial centre on a part-time basis as a customer service manager in the Orléans financial centre Sales Department from September 2018.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste

Terms of office expired in the last five years

None

Staff-elected directors

YVES RENAUD



Director
Member of the Strategy
and Investment Committee

Date of birth: 04/01/1956

Business address:

La Poste
Direction Services-Courrier-Colis
Paris
115, boulevard Brune
75675 Paris Cedex 14

Date of first appointment:
21/12/2015

Term of office expiry date:
20/01/2021

Sponsored by CFDT

Attendance rate at 2018 Board
meetings: 100%

Elected by employees on
20/11/2015

Biography – Professional experience

He joined La Poste in Paris in 1974. At the same time, he continued studying fine arts, then applied arts, and joined the CFDT as an illustrator. He was transferred to Champagne-Ardenne, where he took up the positions of sales representative (in charge of NITC) in the East region, then site manager. In 2001, he became Head of Communications of La Poste in the Aube and Haute-Marne administrative departments. He participates in the national working group that designs the ETC (Espaces Temps Communication – Communication Areas). Once the Champagne-Ardenne Regional Mail Operational Department (DOTC) was created, he took over management of a mail centre there until 2007, when he requested a transfer to the Greater Paris region.

At that time, he managed a team of Mail organisers in a DOTC group in Hauts-de-Seine. In 2011, he was seconded to the CFDT Federation as Federal Secretary in charge of national negotiations and communication. He sat on the Joint Administrative Commission of managers as an elected representative from 2000 to 2004, then the Joint Administrative Commission of senior managers until 2007. From 2001 to 2006, he was a municipal adviser for the city of Joinville (Haute-Marne), an intercommunal delegate and Vice-President of the Office of Tourism. In 2009, he co-founded the Observatoire du nanomonde (Nano-world Observatory).

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Terms of office expired in the last five years

Non-listed companies

None

- Director of La Poste

Staff-elected directors

ANNETTE RIVARD



Director
Member of the Quality
and Sustainable Development
Committee

Date of birth: 26/05/1967

Business address:
SCELP IDF FCPE
99, rue de l'Abbé-Groult
75015 Paris

Date of first appointment:
21/12/2015

Term of office expiry date:
20/01/2021

Sponsored by SUD

Attendance rate at 2018 Board
meetings: 87.5%

Elected by employees on
20/11/2015

Biography – Professional experience

Annette Rivard was born in 1967. Her father was a postman and her mother was a counter clerk at La Poste. In 1986, she began working for La Poste as a seasonal delivery employee in Sellières (Jura). She took a position as post woman in the delivery department at Paris Louvre in 1987. In 1988, she was transferred to the Paris Georges Brassens post office where she became a controller. In 1990, she joined the Paris departmental floating team (brigade départementale). In 1995, she was transferred to the Western Paris accounting department.

Following the elimination of her position, she joined the rotating employees teams (équipes d'agents rouleurs) in 2004. The following year, she was promoted to technician in the Nanterre accounting department. In 2010, she moved with her department to the "Mail, Parcels, Products and Retail Brand" Network's accounting department in Paris, where she continues to work to this day. She has served several terms of office for her union SUD-PTT, including Treasurer of the Federation from 2008 to 2012.

List of terms of office and other functions in French and/or foreign companies

Current terms of office

Non-listed companies

- Director of La Poste

Terms of office expired in the last five years

None

14.1.3 GOVERNMENT COMMISSIONER**THOMAS COURBE****Biography – Professional experience**

General Armament Engineer, he began his career in 1995 at the Ministry of Defence in charge of the programme of fighter planes in service before becoming Head of the Office of the Aeronautic Programmes manager. He moved to the Executive Management of the Treasury in 2002 where he held the positions of Deputy to the Head of Office for Asia, Head of the Africa-Maghreb Office, Head of Aeronautical, Military and Naval Affairs, General Secretary of the Club of Paris and Deputy Director of Bilateral Economic Relations.

In 2010, he was appointed Head of the Office of the Secretary of State responsible for Foreign Trade (Pierre Lellouche) and Deputy Office Director of the Ministers of the Economy, Finance and Industry (Christine Lagarde then François Baroin). He held the position of General Secretary of the Executive Management of the Treasury in 2012, before becoming Executive Vice President in 2015. He has been Director General of Companies since July 2018. Thomas Courbe is a member of the National Order of the Legion of Honour and the National Order of Merit.

Government commissioner

Date of birth: 03/10/1972

Business address:

Ministère de l'Économie

et des Finances

Direction Générale

des Entreprises

67, rue Barbès

BP 80001

94201 Ivry-sur-Seine Cedex

Date of first appointment:

21/12/2015

Term of office expiry date:

20/01/2021

Sponsored by SUD

Attendance rate at 2018 Board

meetings: 87.5%

Elected by employees on

20/11/2015

14.1.4 HEAD OF THE FRENCH STATE'S ECONOMIC AND FINANCIAL CONTROL UNIT FOR LA POSTE

JACQUES BATAIL



Head of the French State's
Economic and Financial Control
Unit for La Poste

Date of birth: 19/10/1953

Business address:
La Poste
9, rue du Colonel-Pierre-Avia
Case postale A 506
75757 Paris Cedex 15

Biography – Professional experience

A graduate of Paris' École des Mines, Jacques Batail was a Division Head in the Interdepartmental Industry Department for the Aquitaine and Poitou-Charentes region and special adviser to the Poitou-Charentes prefect from 1979 to 1981. Then, from 1981 to 1984, he was Head of the Poitou-Charentes Interdepartmental Industry Department for the Aquitaine and Poitou-Charentes Region. From 1984 to 1990, he held the position of regional Director of Industry, Research and Environment for Alsace. He was Head of Technology at ANVAR (the National Agency for the Promotion of Research) from 1990 to 1995.

From 1995 to 2001, he was manager of Gas, Electricity and Coal at the Ministry of the Economy, Finance and Industry, and in this respect, Government commissioner in particular concerning Electricity de France, Gas de France and Charbonnages de France, as well as the Conseil supérieur d'électricité et du gaz. In 2001, he was appointed Head of the Applied Research and Promotion of Quality Regulatory Commission until 2004. Then, in 2002, he was appointed Head of the Port Authorities, Waterways, Shipowners Regulatory Commission and then member of the Merchant Navy High Authority – a position he held until 2008. Lastly, he has been Head of Le Groupe La Poste's control unit since 2008.

14.2 Executive Management

14.2.1 COMBINED OFFICES OF CHAIRMAN OF THE BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

The Company is managed, under his responsibility, by the Chairman of the Board of Directors, who also holds the position of Chief Executive Officer. This method of organisation ensuing from Article 11 of the law of 2 July 1990 stipulates that the positions of Chairman and Chief Executive Officer must be held by the same person.

He is appointed from among the directors by decree, following a proposal by the Board of Directors.

Mr Philippe Wahl was appointed Chairman and Chief Executive Officer of La Poste by a Decree dated 21 January 2016, following the Board of Directors' proposal to the President of the French Republic.

14.2.2 POWERS AND DUTIES OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and Chief Executive Officer organises and coordinates the work of the Board of Directors and reports to the General Shareholders' Meeting on that work. He oversees the proper functioning of the Company's corporate bodies and, in particular, ensures that directors are in a position to fulfil their duties.

The Chairman and Chief Executive Officer is fully empowered to act in all circumstances on the Company's behalf, within the limits of the corporate purpose and subject to the powers of the General Shareholders' Meeting and those reserved for the Board of Directors by law, La Poste's Articles of Association, as well as the Board's internal rules of procedure, as amended by deliberation on 28 July 2016.

Accordingly, the Chairman and Chief Executive Officer must obtain prior approval from the Board of Directors for:

- a) any transaction (including any material change thereto) involving acquisitions, equity investments, asset disposals (including financial, excluding day-to-day cash flow management), capital restructuring (in particular mergers, spin-offs or asset transfers, with the exception of Le Groupe La Poste internal transactions) for a unit amount exceeding €30 million per transaction, this threshold including, as the case may be, the price, the net debt of the target, the amount of any purchase or subscription guarantee made by La Poste and any off-balance sheet commitments given;
- b) any transaction (including any material change thereto) involving a business combination, disposal or issue of equity securities or financial instruments convertible to share capital carried out by La Poste (or to which La Poste is party), for a unit amount exceeding €30 million per transaction, this threshold including, as the case may be, the price, the net debt of the target, the amount of any purchase or subscription guarantee made by La Poste and any off-balance sheet commitments given; any strategic partnership with average annual revenue over the time-frame of its business plan of more than €30 million (including the renewal of any partnership);
- c) any capital expenditure or divestment transaction (including any material change thereto) not covered in the above paragraph, carried out by La Poste (or to which La Poste is party) for a unit

amount exceeding €200 million per transaction, this threshold including, as the case may be, any given off-balance sheet commitments;

- d) any transaction (including any material change thereto) involving debt, cash or hedging management (excluding day-to-day management) carried out by La Poste for a unit amount exceeding €700 million per transaction;
- e) any transaction (including any material change thereto) involving the securitisation of financial or commercial assets carried out by La Poste for a unit amount exceeding €100 million per transaction;
- f) any new direction for La Poste's business activities or a change in its purpose, or any material transaction reflecting a new direction for the business or a strategic refocusing of La Poste;
- g) any decision to bring legal (including arbitration), regulatory or administrative proceedings by La Poste or to enter into a settlement agreement or arbitration agreement with respect to legal, regulatory or administrative proceedings to which La Poste is party, for a unit amount exceeding €50 million, it being added that where a number of such actions are based on the same or a related event, this threshold is assessed based on all relevant actions;
- h) any decision to carry out a public offering of financial instruments issued by La Poste outside programmes that were already authorised as part of the budget approval by the Board of Directors;
- i) any material change or planned material change to Le Groupe La Poste's accounting practices.

In addition, the Chairman and Chief Executive Officer is expressly authorised to provide bonds, guarantees and endorsements binding La Poste up to an overall annual limit excluding tax set by the Board of Directors, and a maximum unit amount excluding tax of €75 million.

The Chairman and Chief Executive Officer is authorised to delegate these powers.

14.2.3 EXECUTIVE COMMITTEE

The Executive Committee is the body for discussing strategy, consulting on all cross-functional Group issues, considering important decisions and monitoring targets and operating results. It meets every Monday under the chairmanship of the Chairman and Chief Executive Officer.

Executive Committee members are appointed by the Chairman and Chief Executive Officer. In accordance with the internal rules of procedure of La Poste's Compensation and Governance Committee (Article 1.2), the Chairman and Chief Executive Officer informs the Compensation Committee of the appointment, compensation and planned replacement of the senior executives of La Poste and its main subsidiaries. Where appropriate, the Committee may pass its observations on to the Board of Directors.

The Executive Committee is comprised as follows:

Philippe Wahl	Chairman and Chief Executive Officer
Philippe Bajou	Executive Vice-President, General Secretary of Le Groupe La Poste Chairman of Poste Immo
Anne-Laure Bourn	Executive Vice-President Chief Operating Officer of La Poste Network
Yves Brassart	Executive Vice-President in charge of Finance and Development
Paul-Marie Chavanne	Executive Vice President Chairman of GeoPost
Nathalie Collin	Executive Vice-President in charge of Digital Services and Communications
Yves Desjacques	Executive Vice President Head of Group's Human Resources
Philippe Dorge	Executive Vice President Chief Operating Officer of the Services-Mail-Parcels business unit
Nicolas Routier	Executive Vice-President in charge of Institutional Strategy and Regulatory Affairs
Rémy Weber	Executive Vice President Chairman of the Management Board of La Banque Postale

PHILIPPE WAHL



Chairman and Chief Executive Officer

Date of birth: 11/03/1956

Biography – Professional experience

A graduate of Institut d'études politiques (IEP) de Paris, Philippe Wahl is a former student of École nationale d'administration (ENA) and holds a post-graduate research degree (DEA) in Economics. He began his career as an auditor and master of requests (maître des requêtes) at the French Council of State. Special adviser to the Chairman of the Stock Exchange Committee (Commission des opérations de bourse, COB, 1986), in 1989 he joined the office of Michel Rocard, Prime Minister, as technical adviser for economic, financial and tax affairs. Adviser to the Chairman of Compagnie Bancaire (1991), then Deputy Chief Executive (1994), in 1997 he was appointed Head of Specialist Financial Services at Paribas. In 1999, he became Chief Operating Officer of Caisse Nationale des Caisses d'Épargne.

In this respect, he has been Chairman of Sopassure and the Board of Directors of Écureuil Assurances IARD, and member of the CDC Ixis Supervisory Board and CNP Assurances Supervisory Board. Appointed Chief Operating Officer of the Havas group in 2005, he became Vice-President of the Bolloré group in 2006. After having joined the Royal Bank of Scotland in 2007 as Managing Director for France, he was appointed adviser to the Global Banking and Markets Board in London and Managing Director for France, Belgium and Luxembourg in 2008, before being appointed Chairman of the Management Board of La Banque Postale and Executive Vice-President of Le Groupe La Poste in January 2011. In September 2013, Philippe Wahl became Chairman and Chief Executive Officer of Le Groupe La Poste, and in October he became Chairman of the Supervisory Board of La Banque Postale.

PHILIPPE BAJOU



Executive Vice President
General Secretary
of Le Groupe La Poste
Chairman of Poste Immo

Date of birth: 09/09/1958

Biography – Professional experience

A graduate of École nationale supérieure des PTT in 1989 and holding a degree in electronics. Philippe Bajou began his career at Le Groupe La Poste in 1982. Special adviser at the Ministry of PTT with the Director of Communal Affairs from 1989 to 1990, he then held various positions within the Finance Department of La Poste, and was then appointed Director of Financial Affairs and Equity Investments at La Poste in 1995. He was responsible for the CCP fund management project in November 1998, which resulted in the formation of Efiposte in March 2000, where he became Chief Operating Officer.

Philippe Bajou was a member of the Management Board of La Banque Postale from the date of its creation on 1 January 2006 until the end of 2012. On 19 December 2012, he became Group Executive Vice-President, Chief Operating Officer of La Poste Network, a position that he held until 1 June 2015. On 19 February 2015, he was appointed Chairman of Poste Immo, and then Executive Vice-President in charge of transformation on 24 February 2015. On 2 February 2016, he was appointed General Secretary of Le Groupe La Poste. He retains his responsibilities related to transformation and is taking on additional responsibilities for cross-functional departments and regional development.

ANNE-LAURE BOURN



Executive Vice-President
Chief Operating Officer
of La Poste Network
Date of birth: 13/10/1962

Biography – Professional experience

Anne-Laure Bourn has been Executive Vice-President of Le Groupe La Poste, in charge of La Poste Network since 1 June 2015. Previously, she was Head of Operations at La Banque Postale and a member of the Executive Committee and Operational Committee of La Banque Postale.

Anne-Laure Bourn is a graduate of Institut supérieur de gestion (1985), of Institut technique de banque (1992) and holds an Executive MBA from École des hautes études commerciales (HEC) (2008). She began her career in 1985 as Head of Products at Thomson Grand Public. From 1988 to 1995, she worked at Caisse Régionale du Crédit Agricole in Morbihan as a financial analyst, Head of the Professional Customer and Supermarket and Hypermarket Finance Department (1990) and Head of Marketing (1992).

She joined Le Groupe La Poste in 1995 where she was successively Head of Marketing and Organisation of La Poste Grand Public in Western France, Head of the Rennes financial centre (2000), then Head of the Greater Paris region financial centre (2005). Upon the creation of La Banque Postale in 2006, she became a regional representative of La Banque Postale West, French overseas departments and Corsica, and joined the Bank's Management Committee in this capacity. Anne-Laure Bourn was appointed General Secretary and member of La Banque Postale Asset Management's Management Board in 2009, then Head of Operations at La Banque Postale in May 2011 – a position she held until 1 June 2015.

YVES BRASSART



Executive Vice President,
in charge of Finance
and Development
Date of birth: 25/08/1960

Biography – Professional experience

Yves Brassart is a former student of ENSPTT, a graduate of EDHEC (1981) and of Institut d'études politiques (IEP) de Paris. He also holds a post-graduate degree in Accounting (DECS). Working for La Poste since 1987, he held the positions of Head of Mail Sales/Marketing at the headquarters (1987-1993) and La Poste's Financial Director for Western France (1993-1999). In 1999, he became Financial Director of La Poste Financial Services before also becoming Financial Director of the post office Network from 2001 to 2003.

In 2004, he helped create La Banque Postale, where he became Chief Financial Officer and a member of the Executive Committee on 1 January 2006. In 2011, he was appointed Head of Finance and Strategy of La Banque Postale, member of the Operational Committee, then member of the Management Board in 2013. On 7 April 2014, he became Executive Vice-President, Chief Financial Officer of Le Groupe La Poste. As such, he also became a member of the Executive Committee. On 7 September 2015, he was appointed Executive Vice-President in charge of Finance and Development.

PAUL-MARIE CHAVANNE

Executive Vice President
Chairman of GeoPost

Date of birth: 28/06/1951

Biography – Professional experience

Paul-Marie Chavanne is a graduate of École centrale des arts et manufactures de Paris, he is a former student of ENA and an Inspector of Finance. After having started his career at the General Inspectorate of Finance (1978-1982) and then at the Treasury Department (1982-1989), he became manager of Strategy and Development at Soparges (1989-1992), then Executive Vice President of Automobiles Citroën (1992-1997), before joining Strafor Facom as Chief Executive Officer (1997-1998), and then Chairman and Chief Executive Officer (1998).

After chairing the Management Board of Auto Distribution, he became Head of Parcels (in 2001), Chairman of GeoPost (in 2001) and at the same time executive officer (2002-2010) then Executive Vice-President (2010) of Le Groupe La Poste.

NATHALIE COLLIN

Executive Vice-President
in charge of Digital Services
and Communication

Date of birth: 26/09/1964

Biography – Professional experience

A graduate of École supérieure des sciences économiques et commerciales (ESSEC) and recipient of a Master's degree in Corporate and Tax law, Nathalie Collin began her career in 1987 as a consultant at the Arthur Andersen firm before joining Cité mondiale des vins et spiritueux as Chief Financial Officer in 1990. In 1993, Nathalie Collin became the Chief Financial Officer of Europe for Interleaf in London. In 1997, she joined Virgin Musique France as Chief Financial and Administration Officer before becoming Chief Operating Officer in 1999. In 2002, she orchestrated the merger between Virgin Musique and its parent company, EMI Music France, and successively held the positions of Chief Operating Officer (2002-2007) and Chairwoman in the new group (2007-2009).

In 2009, she left the music production industry for the press industry and became Chairwoman of the Management Board of Libération before joining the Nouvel Observateur group as Managing Director and Chairwoman of the Management Board in 2011. Chairwoman of SEPM and AIPG, she led negotiations with Google on behalf of the profession, which led to the creation of the Digital Innovation Press Fund, a fund which she created and of which she became its first Chairwoman. On 28 April 2014, she was appointed Executive Vice-President and member of the Executive Committee in charge of Communications for Le Groupe La Poste. On 9 February 2015, she became Executive Vice-President in charge of Digital Services and Communications.

YVES DESJACQUES



Executive Vice President
Head of Group's Human
Resources

Date of birth: 23/12/1967

Biography – Professional experience

A graduate of the University of Paris II (Post-graduate diploma [DESS] in human resources/CIFFOP), Yves Desjacques began his career in 1992 in insurance with the Generali group, where he held successive posts in human resources management. In 2001, he joined the Vedior France group as Deputy Chief Executive Officer in charge of Human Resources and a member of the Executive Management Committee. In 2007, he joined the Casino group as group HR Director and a member of the Executive Committee.

In December 2017, Yves Desjacques was appointed Executive Vice-President and Director of Human Resources of Le Groupe La Poste.

Since 2007, Yves Desjacques has been president of the French national network of companies for equal opportunities in education. He is also a co-author of the book *Le Management bienveillant* (Benevolent Management) published by Éditions Eyrolles.

PHILIPPE DORGE



Executive Vice President
Chief Operating Officer
of the Services-Mail-Parcels
business unit

Date of birth: 06/04/1966

Biography – Professional experience

Philippe Dorge is a graduate of Sciences Po Paris, with a major in public service. He also holds a post-graduate diploma (DESS) in "Human Resources and Labour Relations" (Paris). He is a graduate of Ciffop in Labour Relations. He spent 25 years at PSA where he alternated positions in the industrial and human resources areas. After in-plant operational positions in Sochaux, then in Aulnay, in 2002, he became the group's head of employee relations and employment, responsible for collective bargaining, health and safety at work and human resource management in the Industrial Department. In 2010, he was appointed plant manager at Trémery, the leading site for engine manufacturing near Metz, in the Lorraine region of France.

He was appointed Head of group HR in early 2013. After restoring social dialogue within the company, he successfully negotiated a New Social Contract Agreement on sharing corporate strategy with the trade unions and a Generation PSA Agreement on the competitiveness of the company's industrial bases in France. He established a global HR structure consistent with the group's new organisational structure.

On 7 September 2015, he became Executive Vice-President and Chief Operating Officer of the Services-Mail-Parcels business unit and joined Le Groupe La Poste's Executive Committee.

NICOLAS ROUTIER



Executive Vice-President
in charge of Institutional Strategy
and Regulatory Affairs

Date of birth: 07/03/1963

Biography – Professional experience

Nicolas Routier is a graduate of Institut d'études politiques de Paris (IEP), holds a Bachelor's degree in Economics from Paris-I Panthéon-Sorbonne, and is a graduate of ENSPTT. He joined La Poste's Finance Department as Head of Strategic Planning (1988-1991), then Head of Management Control (1991-1994). From 1994 to 1997, he was Director of La Poste in the Oise region. In 1997, he joined La Poste's Management Committee and created the Purchasing Department, which he managed until 2001. At the same time, he was Director of Management Control (1998-2001). In 2001, he became Director of Group Strategy then joined the Group's Executive Committee. He then became a Director of Sopassure, a member of the Supervisory Board of CNP Assurances (2001-2003), and a Director of GeoPost (from 2001). In 2002, he was appointed executive officer responsible for group strategy and development, and Chairman of Sofipost.

In 2004, he became an adviser to the group Chairman and CEO of Mediapost until 2009. At the same time, he was Chairman of STP from 2005 to 2009 and of Neopress from 2007 to 2009. Since 2009, he has been Executive Vice-President of Le Groupe La Poste, Chief Operating Officer of Mail, and Chairman of Sofipost, which includes Mediapost Communication, Docaposte and Viapost; since mid-2012, he has been Vice-Chairman of the Board of Directors of Asendia. He is also Chairman of the professional trade union for postal operators. Before being appointed Executive Vice-President in charge of institutional strategy and regulations on 7 September 2015, he had been Executive Vice-President of Le Groupe La Poste and Chief Operating Officer of the Services-Mail-Parcels business unit since July 2014.

RÉMY WEBER



Executive Vice President
Chairman of the Management
Board of La Banque Postale

Date of birth: 18/11/1957

Biography – Professional experience

A graduate of Institut d'études politiques (IEP) in Aix-en-Provence and of École des hautes études commerciales (HEC), Rémy Weber began his career in 1983 as chargé d'affaires in the Operations Department of Banque française de commerce extérieur (BFCE), before becoming special adviser to the Ministry of Finance regarding international business and the Department of Treasury (1987-1989).

He then became assistant manager at BFCE (1990-1992), then joined Lyonnaise de Banque where he was regional Director in charge of the Lyon network (1993-1994), General Secretary (1995-1997), Director of Operations (1996-1997), Executive Vice-President (1997-1999), Chief Operating Officer (1999-2002) and finally Chairman and CEO – a position which he held until his appointment as Chairman of La Banque Postale's Management Board on 15 October 2013.

14.3 Absence of family ties, convictions and conflicts of interest

14.3.1 ABSENCE OF FAMILY TIES BETWEEN MEMBERS OF THE ADMINISTRATIVE BODIES AND EXECUTIVE MANAGEMENT

To La Poste's knowledge, there are no family ties between the corporate officers of La Poste or the members of the Executive Committee.

14.3.2 ABSENCE OF CONVICTIONS FOR FRAUD HANDED DOWN TO THE MEMBERS OF ADMINISTRATIVE BODIES AND EXECUTIVE MANAGEMENT

To La Poste's knowledge, none of the corporate officers of La Poste or members of the Executive Committee:

- has been convicted of fraud in the last five years at least;
- has been declared bankrupt, put into receivership or undergone liquidation in the last five years at least;

- has been subject to incrimination or official public sanction delivered by statutory or regulatory authorities in the last five years at least.

Furthermore, to La Poste's knowledge, none of the corporate officers of La Poste or the members of the Executive Committee, has been prohibited from acting as a member of an administrative, management or supervisory body of an issuer or from managing or conducting the business of an issuer in the last five years at least.

14.3.3 CONFLICTS OF INTEREST WITHIN THE ADMINISTRATIVE BODIES AND EXECUTIVE MANAGEMENT

To La Poste's knowledge, and as at the date of filing of this registration document, there were no potential conflicts of interest at La Poste between the duties of the corporate officers and members of the Executive Committee, and their private interests or other duties.

To La Poste's knowledge, there are no arrangements or agreements between shareholders, customers, suppliers or any other parties under which a member of the Board of Directors has been appointed to this position.

Article 7 of La Poste Directors' Charter, appended to the internal rules of procedure of the Board of Directors, specifies that: "Directors undertake to avoid any conflicts which might exist between their moral or material interests and those of La Poste or of the entities of its Group. They shall inform the Board of Directors and its Chairman, upon becoming aware of it, of any situation concerning them, which is liable to create a conflict of interest, even potential or temporary, with the interests of La Poste or of its Group. In the event of such a situation occurring, the director concerned shall not participate in discussions or any decision-making on the subjects concerned."



COMPENSATION AND BENEFITS

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15.1 Compensation of corporate officers

15.1.1 TOTAL COMPENSATION OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

15.1.1.1 Rules for determining the compensation of the Chairman and Chief Executive Officer

La Poste currently has one single executive corporate officer, its Chairman and Chief Executive Officer, Mr Philippe Wahl, who has been holding this office since 26 September 2013.

The compensation of La Poste's Chairman and Chief Executive Officer is subject to a ministerial decision in accordance with Decree No. 53-707 of 9 August 1953 concerning national public sector companies and certain organisations that have a social or economic purpose.

This decree was modified by Decree No. 2012-915 of 26 July 2012, pertaining to the French State's control over the compensation of executive corporate officers of public sector companies, which establishes a system to limit the annual gross compensation of executive corporate officers of public sector companies and establishments to €450,000.

Upon a proposal by La Poste's Compensation and Governance Committee dated 8 November 2013, on 12 December 2013, La Poste's Board of Directors decided to set Mr Philippe Wahl's total compensation at the ceiling established by Decree No. 2012-915 of 26 July 2012, *i.e.* a total annual gross compensation of €450,000, formed exclusively by fixed compensation. This compensation, renewed annually since that date, was confirmed for 2018 by the

Board of Directors on 13 April 2018, who also approved during the meeting on that date, the roadmap setting Mr Wahl's objectives for 2018, without said roadmap entitling Mr Wahl to variable compensation. This roadmap is comprised of: up to 50% regarding key economic and financial performance indicators, up to 25% for customer satisfaction, social, societal and environmental performance, and up to 25% with regard to transformation indicators. Achieving the objectives of this roadmap has an impact of up to 25% on the variable part of the compensation of the Executive Committee members, and up to 10% for the Group's other senior executives. The compensation of Mr Wahl set by the Board of Directors for 2018 was approved *via* a Ministerial Decision dated 29 June 2018.

15.1.1.2 Compensation of Mr Philippe Wahl, Chairman and Chief Executive Officer

The table below presents a summary of all types of compensation due to the Chairman and Chief Executive Officer in respect of 2017 and 2018.

As indicated in Sections 15.1.1.3 and 15.3 respectively, the Chairman and Chief Executive Officer does not receive special compensation or directors' fees, nor does he receive stock options or free shares.

Summary of compensation awarded to the Chairman and Chief Executive Officer

Philippe Wahl, Chairman and Chief Executive Officer	2018	2017
Compensation due for the year (including benefits in kind)	€454,212	€453,542
Valuation of options awarded during the fiscal year	None	None
Valuation of performance shares awarded during the fiscal year	None	None
TOTAL (INCLUDING BENEFITS IN KIND)	€454,212	€453,542
TOTAL (EXCLUDING BENEFITS IN KIND)	€450,000	€450,000

Gross amounts, in €, before tax.

Detailed summary of compensation awarded to the Chairman and Chief Executive Officer

	2018		2017	
	Amount ^(b) due for the fiscal year	Amount ^(b) paid during the fiscal year	Amount ^(b) due for the fiscal year	Amount ^(b) paid during the fiscal year
Philippe Wahl, Chairman and Chief Executive Officer				
Fixed compensation	€450,000	€450,000	€450,000	€450,000
Variable compensation	None	None	None	None
Special compensation	None	None	None	None
Directors' fees	None	None	None	None
TOTAL (EXCLUDING BENEFITS IN KIND)	€450,000	€450,000	€450,000	€450,000
Benefits in kind	€4,212 ^(a)	€4,212 ^(a)	€3,542 ^(a)	€3,542 ^(a)
TOTAL (INCLUDING BENEFITS IN KIND)	€454,212	€454,212	€453,542	€453,542

(a) Company vehicle (€3,852 in 2018) and communication bonus paid to all employees (€360).

(b) Gross amount, in €, before tax.

15.1.1.3 Other compensation items

Company car

A Company car is made available to the Chairman and Chief Executive Officer. La Poste bears all costs related to the Company car (i.e. maintenance, insurance and fuel). This benefit is accounted for as a benefit in kind.

Health and personal risk insurance coverage

The Chairman and Chief Executive Officer of La Poste receives health and supplementary contingency coverage provided to all senior executives of La Poste, with premiums paid in full by La Poste.

Pension plan

The Chairman and Chief Executive Officer of La Poste does not receive any supplementary pension plan.

Directors' fees

The Chairman and Chief Executive Officer of La Poste does not receive directors' fees as Chairman of the Board of Directors and Director of La Poste. He also does not receive any directors' fees for terms of office carried out in companies controlled by La Poste nor any other form of compensation for fulfilling these terms of office.

Employment contract, supplementary pension, severance or job transfer allowance, and compensation for non-compete clauses

	Employment contract		Supplementary pension plan		Compensation payable due to severance or job transfer		Compensation for a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Philippe Wahl Chairman and Chief Executive Officer		X		X		X		X

15.1.2 TOTAL COMPENSATION OF THE DIRECTORS

The members of the Board of Directors receive directors' fees according to the following principles, adopted by the General Shareholders' Meeting of 27 April 2011:

- the annual budget allocated to directors' fees is €230,000 gross;
- this amount is divided up as follows:
 - €1,300 gross per Board meeting or Board Committee meeting attended,
 - €2,000 gross per meeting attended for the Chairman of a Board Committee.

If, at the end of the period, aggregate directors' fees calculated on the basis of the above scale were to exceed the allocated amount of €230,000 (because of a large number of additional meetings), fees would be reduced in proportion to this excess, so as to distribute a gross total of €230,000.

In respect of 2018, directors' fees amounted to a gross sum of €164,500.

Directors' fees paid to directors

In accordance with Article 13 of La Poste's Articles of Association, the terms of office of directors who are not appointed by the General Shareholders' Meeting are free. The General Shareholders' Meeting determines the amount of any directors' fees to be paid, if appropriate, to the other Board members.

As of 2016, Directors appointed by the General Shareholders' Meeting to represent the French State transfer all of their directors' fees to the State if they are public employees, and a minimum threshold set by decree if they are not public employees, following the entry into force at La Poste of Title II of Order No. 2014-948 of 20 August 2014.

The directors' fees of the Directors appointed by the General Shareholders' Meeting following the proposal of Caisse des Dépôts are paid to Caisse des Dépôts in compliance with its Code of Ethics.

Directors appointed by the General Shareholders' Meeting ^(a)		Gross amount due for 2018	Gross amount due for 2017
As proposed by the French State	Martin Ajdari	€9,100	€10,400
	Marie-Pierre de Bailliencourt	€16,400	€12,500
	Corinne Lejbowicz	€19,500	€18,200
	Philippe Lemoine	€13,700	€23,600
	Françoise Malrieu	€22,400	€25,700
	Sophie Mantel	€9,100	€11,700
	Serge Morvan	€2,600	NR ^(c)
	The French State, represented in 2018 by Charles Sarrazin ^(b)	€26,000	€29,300
As proposed by Caisse des Dépôts	Virginie Chapron-du Jeu	€21,000	€4,600
	Olivier Sichel	€14,300	NR ^(c)
	CDC, represented in 2018 by Éric Lombard ^(b)	€9,100	€2,600
Former directors appointed by the General Shareholders' Meeting			
As proposed by the French State	Jean-Benoît Albertini	€1,300	NR ^(c)
	Marie-Caroline Bonnet-Galzy	NR ^(c)	€9,100
As proposed by Caisse des Dépôts	Nathalie Gilly	NR ^(c)	€28,600
	Franck Silvent	NR ^(c)	€13,100
TOTAL (IN €)		€164,500	€189,400

(a) Including the Directors appointed via co-optation by the Board of Directors subject to ratification by the General Shareholders' Meeting.

(b) During fiscal year 2017, the French State was represented successively by Bertrand Walckenaer, Jérôme Reboul and Charles Sarrazin, and CDC by Pierre-René Lemas and Éric Lombard.

(c) NR: not relevant for the year in question.

15.2 Total provisions and amounts recognised for pensions and other benefits

The Chairman and Chief Executive Officer, the only executive corporate officer, does not receive any supplementary pension plan, and neither do the members of the Executive Committee.

15.3 Stock subscription or stock purchase options and free shares

La Poste has not implemented any system for granting performance shares or stock options for any of its employees, regardless of category.



FUNCTIONING OF THE ADMINISTRATIVE BODIES

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16.1 Duties of the Board of Directors

In accordance with the legal and regulatory provisions in force and with the terms of the Public Service Agreement, and as specified in its internal rules of procedure available on Le Groupe La Poste's website, the Board of Directors sets out La Poste's general policies and the business direction of La Poste and the Group (including subsidiaries in which La Poste directly or indirectly holds at least 50% of the share capital or voting rights).

In particular, the Board of Directors determines the strategic, economic, financial and technological priorities of La Poste's business and monitors their implementation. Any significant Group transaction outside the stated strategy or that could have a material influence on the Group's financial structure or results must be referred to the Board of Directors.

The Board may consider any issue pertaining to the smooth running of the Company and deliberate and decide on any relevant matters. It carries out the controls and checks it deems necessary.

The Board of Directors reviews both La Poste's draft annual and consolidated financial statements as well as forecasts, the achievement of the targets set out in the Public Service Agreement between the French State and La Poste, and the Group's strategic progress. The Chairman informs the Board whether the stated targets have been met and, as applicable, presents suitable measures to reduce the actual or expected shortfall.

The strategic direction of the Group and of each of its business units – and the multi-annual business plan in particular – are reviewed at least once a year by the Board of Directors, which approves the business plan, the Group's annual budget, the related finance plan and dividend-paying capacity, as well as the key goals of the Group's financial guidance. Each quarter, the Chairman reports to the Board of Directors on the monitoring of the Group's business activities and key operating performance indicators; twice a year the Chairman reviews a report on the Group's first-level subsidiaries. For each of these subsidiaries, the report sets out the highlights and indicators, in particular the major acquisitions, disposals, equity investments or financial transactions that do not require the prior approval of the Board of Directors.

The Board of Directors is kept regularly informed of the financial position and any material commitments; it is also kept informed of major debt and cash management transactions (excluding La Banque Postale).

The following transactions must be referred to the Board of Directors for prior approval:

a) any transaction (including any material change thereto) involving acquisitions, equity investments, asset disposals (including financial, other than day-to-day treasury management and day-to-day asset and liability management at La Banque Postale), capital restructuring (in particular mergers, spin-offs or asset transfers, with the exception of

Le Groupe La Poste internal transactions) for a unit amount exceeding €30 million per transaction, this threshold including, as the case may be, the price, the net debt of the target, the amount of any purchase or subscription guarantee made by La Poste or any of its subsidiaries and any off-balance sheet commitments;

- b)** any transaction (including any material change thereto) involving a business combination, disposal or issue of equity securities or financial instruments convertible to equity carried out by La Poste or any of its subsidiaries (or to which La Poste or any of its subsidiaries is party), for a unit amount exceeding €30 million per transaction, this threshold including, as the case may be, the price, the net debt of the target, the amount of any purchase or subscription guarantee made by La Poste or any of its subsidiaries and any off-balance sheet commitment; any strategic partnership with average annual revenue over the timeframe of its business plan in excess of €30 million (including the renewal of any partnership);
- c)** any investment or divestment transaction (including any material change thereto) not covered by item b) above, carried out by La Poste or any of its subsidiaries (or to which La Poste or any of its subsidiaries is party) for a unit amount exceeding €200 million per transaction; this threshold including, as the case may be, any off-balance sheet commitments;
- d)** any transaction (including any material change thereto) involving debt, cash or hedging management (excluding day-to-day management) carried out by La Poste or any of its subsidiaries (excluding La Banque Postale) for a unit amount exceeding €700 million per transaction;
- e)** setting a maximum amount of long-term borrowings for the coming year, when voting on the budget, excluding La Banque Postale;
- f)** any transaction (including any material change thereto) involving the securitisation of financial or commercial assets carried out by La Poste or any of its subsidiaries (excluding La Banque Postale) for a unit amount exceeding €100 million per transaction;
- g)** any borrowing by La Banque Postale that has a material impact on Le Groupe La Poste's consolidated balance sheet (and in particular where it involves an amount exceeding €1 billion), or any issue of debt securities or hybrid share capital by La Banque Postale that qualifies as Tier 1 or Tier 2 share capital (additional equity capital) for an amount exceeding €500 million;
- h)** any new direction for the business activities of La Poste or any of its subsidiaries or a change in its purpose, or any material

transaction reflecting a new direction for the business or a strategic refocusing of La Poste or any of its subsidiaries;

- i) the dividend payment policy of La Poste or any of its directly owned subsidiaries and any change to or development in the dividend payment policy;
- j) any decision to bring legal (including arbitration), regulatory or administrative proceedings by La Poste or any of its subsidiaries or to enter into a settlement agreement or arbitration agreement with respect to legal, regulatory or administrative proceedings to which La Poste or any of its subsidiaries is party, for a unit amount exceeding €50 million, it being specified that where a number of such actions are based on the same or a related event, this threshold is assessed on the basis of all the relevant actions;
- k) setting a maximum amount for the coming year, when voting on the budget, as well as the provision by La Poste or any of its subsidiaries of guarantees and endorsements or any transaction guaranteeing the commitments of an entity that is not directly or indirectly wholly owned by La Poste, excluding transactions by La Banque Postale with its customers or those involving customer commitments, for a unit amount exceeding €75 million per transaction;
- l) any decision to carry out a public offering of financial instruments issued by La Poste or any of its subsidiaries excluding programmes already approved as part of the budget approval by the Board of Directors;
- m) any material change or planned material change to Le Groupe La Poste's accounting practices.

The Chairman informs the Board of the internal control procedures established within the Group, any significant risks exposed by the controls implemented by virtue of these procedures and the risk management policies that are being considered or implemented. It is also called upon for its prior approval of the internal control report prepared by the Chairman.

The Board of Directors ensures the fairness and accuracy of the financial statements and the quality of internal controls and of the financial information published or made available to it.

As part of its work, the Board of Directors may call upon any expert whose skills it considers necessary. The rights and duties of directors, as set out in Articles 7 to 13 of the law of 26 July 1983 on the democratisation of the public sector, apply to the members of La Poste's Board of Directors. In particular, and as specified in Article 7 of the Board's internal rules of procedure, directors must respect the strictly confidential nature of all documents and information of which they become aware while performing their duties. The term of office for a director who represents staff cannot be held alongside any other position that involves representing the interests of the staff of La Poste and its subsidiaries.

The Directors' Charter, established in December 2004 and included with each version of the internal rules of procedure that the Board of Directors has adopted since, summarises the rules of conduct with which directors must comply.

The Board of Directors' internal rules of procedure detail how the Board carries out its remit and incorporate the internal rules of procedure of each of the four Board Committees (see *below*) as well as the aforementioned Directors' Charter. It specifies methods for disclosing information to directors which, since 2008, has mainly involved a specially developed secure electronic data room reserved for members of the Board of Directors, who are notified whenever a document becomes available. Amended by a Board of Directors' decision of 28 July 2016, the internal rules of procedure provides that the Board of Directors may be convened by one-third + one vote of the Board members, and that the Board, acting by a simple majority, may include any matter on the agenda.

To the Company's knowledge, no service contract which binds members of the Board of Directors to the Company or any of its subsidiaries provides for the award of benefits at the end of said contract.

16.2 Activity of the Board of Directors in 2018

The Board of Directors meets as often as Company interests require, and at least six times a year. It may also meet if more items, in particular: than one third of its members request to convene a meeting and present an agenda.

The Board met eight times in 2018. Board members' average attendance at these meetings was 85.72%. Three half-day strategy seminars were also organised during the year.

In 2018, the Board of Directors issued opinions on the below items in particular:

- the annual and half-year consolidated financial statements;
- the 2019 budget;
- acquisition projects;
- the appropriation of earnings;
- the roadmap and compensation of the Chairman and Chief Executive Officer;
- the report comparing the situation of men and women;
- the incentive agreement;
- the updating of the strategic plan;
- the strategic equity alliance project concerning Caisse des Dépôts and Le Groupe La Poste.

16.3 Assessment of the operation of the Board of Directors

Once a year since 2006, the Board of Directors has devoted an item on the agenda to assessing its internal practices, with particular regard to its internal rules of procedure and to any improvements that could be made. Since 2010, the annual assessment process has been led by the Compensation and Governance Committee and its Chairman presents a summary to the Board and suggests

areas of improvement. La Poste has also decided to carry out this assessment once every three years with the help of an external firm.

The operation of the Board of Directors was reviewed during the meeting of 20 December 2018 based on a statistical data overview describing business in 2017.

16.4 Board Committees within the Board of Directors

To fulfil its duties, the Board of Directors has set up four Board Committees tasked with examining and preparing certain projects before they are presented at plenary sessions, by either adding them to the agenda or mentioning them in the report on work carried out by the Chairman. The government representative and the Head of the Economic and financial control unit attend the meetings of each Committee.

The Committees are as follows: Audit Committee (set up in 2001), Strategy and Investment Committee (set up in 2004), Quality and Sustainable Development Committee (set up in 2004 as the Customer Service Committee, later renamed in 2007), and Compensation and Governance Committee (set up in 2010). Furthermore, an *ad hoc* Committee meets to prepare for Board of Directors' meetings a day or two before they take place.

16.4.1 AUDIT COMMITTEE

The Audit Committee is composed of: Virginie Chapron-du Jeu, Committee Chairwoman, Brigitte Jonon, Jean-Yves Lautridou, Sophie Mantel, Charles Sarrazin and Olivier Sichel.

The role of the Audit Committee is to assist the Board of Directors in its areas of expertise, *i.e.* for La Poste, analysing the accounts, the main financial information, major risk mapping and the management policy applied to these risks and internal control procedures.

With a view to preparing the work of the Board of Directors and making any useful recommendations, the Committee:

- checks the relevance and consistency of the accounting standards and practices applied by La Poste and the Group in preparing the parent company and consolidated financial statements, as well as the appropriate recognition of significant financial and accounting transactions carried out or to be carried out by La Poste and the Group; studies any proposal for material changes to these standards and practices before they are applied;
- ensures that the parent company and consolidated financial information produced by La Poste is true and fair; verifies that internal data collection and control procedures are established and followed to guarantee this truth and fairness;
- reviews La Poste's financial disclosure policy and the main aspects of this disclosure;
- carries out a prior review of accounting and financial documents to be submitted to the Board of Directors, including the annual and half-year financial statements, accounts specifically prepared for the purposes of a given transaction, management reports and their supporting documents;
- with the help of the Finance and Development Department, establishes the procedure for choosing La Poste's Statutory Auditors after putting out an invitation to tender and making a recommendation to La Poste's Board of Directors on the choice

of said auditors; debates the involvement of the appointed Statutory Auditors and the budget allocated to their work; ensures that the Statutory Auditors are independent;

- periodically reviews the progress of the Statutory Auditors' work and their recommendations;
- reviews the Chairman's report on internal control procedures;
- assesses the effectiveness of internal control and risk management systems and, in relation to this, on an annual risk mapping of all types of risks to which the Group is exposed in its operating activities, as well as the processes and action plans introduced to identify and control such risks; reviews the report on the work of the head office internal auditors and the Internal Audit Departments within La Poste and the Group for the previous year, and gives its opinion on the audit programmes for the current year;
- carries out a periodic review of major unresolved disputes and any other issues of a financial, accounting, legal or any other nature that could generate risks or threats;
- reviews the nature and scope of material off-balance sheet commitments;
- authorises additional non-audit services provided by the Group's Statutory Auditors;
- makes any recommendations to the Board of Directors on the matters above;
- more generally, reports any significant issues that could require the Board's special attention to the Board of Directors.

The Audit Committee met four times in 2018; the average Board member attendance was 69.57%.

16 FUNCTIONING OF THE ADMINISTRATIVE BODIES

BOARD COMMITTEES WITHIN THE BOARD OF DIRECTORS

In 2018, in addition to recurring topics such as reviewing the annual and half-year financial statements, the risk mapping, the audit programmes, and the annual report of the Purchasing Commission, the Committee also reviewed:

- La Banque Postale's credit risk management;
- La Banque Postale's prudential ratios management;

- changes in standards (IFRS 15, IFRS 16, IFRS 9);
- the Group's cybersecurity strategy.

16.4.2 STRATEGY AND INVESTMENT COMMITTEE

The Strategy and Investment Committee is composed of: Françoise Malrieu, Chairwoman, Alain Bard, Jacques Dumans, Corinne Lejbowicz, Hugo Reis, Yves Renaud, Charles Sarrazin and Olivier Sichel.

With a view to preparing the work of the Board of Directors and offering any useful opinion or recommendations, the Committee:

- analyses the strategic growth drivers of La Poste and the Group in France and abroad;
- studies proposed strategic agreements and monitors partnerships;
- studies planned asset acquisitions or disposals within the Group, plans to create subsidiaries or to buy and sell equity investments for amounts exceeding €30 million;
- reviews the multi-annual business plan;

- oversees the main items of the Public Service Agreement signed with the French State.

The Strategy and Investment Committee met seven times in 2018; the average Board member attendance was 89%.

In 2018, the Committee primarily worked on:

- the acquisition and disposal projects conducted by La Poste Silver, the Services-Mail-Parcels business unit and La Banque Postale;
- the overall strategy for developing new services;
- the updating of the Group's strategy;
- the strategic equity alliance project concerning Caisse des Dépôts and Le Groupe La Poste.

16.4.3 QUALITY AND SUSTAINABLE DEVELOPMENT COMMITTEE

The Quality and Sustainable Development Committee is composed of: Marie-Pierre de Baillencourt, Chairwoman, Martin Ajdari, Hélène Carnet, Virginie Chapron-du Jeu, Brigitte Jonon, Philippe Lemoine and Annette Rivard.

The Committee helps the Board of Directors analyse the quality of services that La Poste and the Group's companies provide to their customers, as well as sustainable development within La Poste and the Group's companies.

The Committee's role is to prepare the Board of Directors' work and make any useful recommendations on any issue concerning the quality of relations between La Poste, or Group companies, and its customers, as well as on sustainable development, especially regarding the following:

- the customer satisfaction survey for La Poste and the Group;
- analysing the quality of service provided to the customers of La Poste and the Group;
- reviewing best practice in the services provided to the customers of La Poste and the Group;
- reviewing best practice in terms of sustainable development and corporate social responsibility.

The Board of Directors may also ask the Committee to carry out any other work relating to quality and sustainable development; in addition, the Committee may suggest that the Board consult it on any specific issue that it considers necessary or relevant. Following deliberations on 30 May 2013, the Board of Directors added occupational well-being at La Poste and best practice in this field to the Committee's area of responsibility.

The Quality and Sustainable Development Committee met three times in 2018; the average Board member attendance was 85.72%.

In 2018, the Committee reviewed, in particular:

- the Group's CSR policy;
- the ethics and the anti-corruption programme;
- the claim processing system;
- the quality of the mail delivery service;
- the changing nature of customer expectations concerning mail.

16.4.4 COMPENSATION AND GOVERNANCE COMMITTEE

The Compensation and Governance Committee is composed of: Philippe Lemoine, Chairman, Jacques Dumans, Eric Lombard and Charles Sarrazin.

With a view to preparing the work of the Board of Directors, the Committee:

- issues recommendations on the compensation of La Poste's corporate officers;
- formulates an opinion on any proposal pertaining to the general principles of the compensation policy;
- issues an opinion on any planned capital increase reserved for employees or free share awards pursuant to Articles 32 and 33 of law No. 90-568 of 2 July 1990, as amended, relating to the organisation of the public service provided by La Poste and France Télécom;

- coordinates the annual assessment of the Board of Directors.

The Chairman of the Board of Directors informs the Committee of the appointment, compensation and planned replacement of senior executives of La Poste and its main subsidiaries. Where appropriate, the Committee passes on its observations to the Board of Directors.

The Compensation and Governance Committee met once in 2018; the average Board member attendance was 100%.

During 2018, the Committee studied the assessment of the operation of the Board of Directors, the roadmap and the compensation of the Chairman and the Chief Executive Officer, and the principles governing the compensation of senior executives.

16.5 Internal control

16.5.1 REPORT ON CORPORATE GOVERNANCE

The cross-reference table of this report is included in Appendix 3.

16.6 Compliance with the corporate governance system in force in France

La Poste has adhered to and referred to the Afep-Medef Code on corporate governance since 2011, in accordance with Article L. 225-37-4-8° of the French Commercial Code, subject to specific legal and regulatory provisions applicable to it.

These specific regulatory issues arise from La Poste's status as a public sector company, in particular the fact that the Company is subject to law No. 90-568 of 2 July 1990 pertaining to La Poste and

France Télécom's public service structure and Order No. 2014-948 of 20 August 2014 relating to governance and transactions on the share capital of state-owned companies.

The table below lists the recommendations of the Afep-Medef Code, taken from its latest version released in June 2018, which are not applied by the Company, with the corresponding explanations:

Number of the Afep-Medef recommendation -2018 version	Numbering of the 2016 version of the Code	Principles of the Code	Situation of the Company and comments
1		The missions of the Board of Directors:	
1.3	1.2	Appointment of the Executive Director and method of organising functions "[...] The Board of Directors [...] appoints the executive corporate officers responsible for managing the Company [...] and chooses the method of organisation (separating the functions of Chairman and Chief Executive Officer or uniting the functions)[...]."	The manner in which the Board of Directors of La Poste is organised results from Article 11 of the law of 2 July 1990, which states that the positions of Chairman and Chief Executive Officer must be held by the same person, and specifies that the Chairman and Chief Executive Officer is appointed by Presidential Decree upon the proposal of the Board of Directors and after considering the opinion of the Economic Affairs Commission of the French National Assembly and Senate.
3		Diversity of methods of organising governance	
3.2		Appointment of a Senior independent director: "The Board may appoint a Senior independent director from among the independent directors in particular when the duties are of a unique nature."	The composition of the Board of Directors is fixed in accordance with the provisions of Article 10 of the law of 2 July 1990 and of Title II of Order No. 2014-948 of 20 August 2014, included in Article 13 of the Articles of Association. The law specifies that the directors appointed by the General Shareholders' Meeting are the shareholders' representatives.
6		Composition of the Board of Directors: guidelines	
6.2		Each Board shall decide on the balance desired concerning its composition as well the composition of its internal Committees in particular with regard to diversity (representation of women and men, nationalities, age, qualifications and professional experience...). It makes public, in the Company governance report, a description of the diversity policy applied to the Board members along with a description of the objectives of this policy, the manner in which it is implemented and the results obtained during the last fiscal year.	Diversity issues will be included in the next self-assessment questionnaire submitted to the directors. An overview of diversity is given in Chapter 14 of this document.

Number of the Afep-Medef recommendation -2018 version	Numbering of the 2016 version of the Code	Principles of the Code	Situation of the Company and comments
8		Independent directors	
8.1		"[...] it is important to have a substantial proportion of independent directors on the Board of Directors (...) to improve the quality of decision-making.	As the composition of the Board of Directors is laid down by law (see above) which specifies that the Directors appointed by the General Shareholders' Meeting are the shareholders' representatives. It is nevertheless noted that of the directors proposed by the French State, four are neither civil servants nor states employees.
8.2		"A director is independent when he or she maintains no relationship whatsoever with the Company, its Group or its Management, which could compromise his or her freedom of judgement. Therefore, an independent director is understood to be a [...] non-executive director [...] but also one devoid of particular conflicts of interest (significant shareholder, employee, other) with them."	
13		Duration of the term of office of directors	
13.1		"[...] the duration of directors' terms of office, which are set forth by the Articles of Association, must not exceed four years [...].	The five-year period of the terms of office of the members of La Poste's Board of Directors is specified in Article 13 of the Articles of Association. It is close to the four-year period required by the Code and is lower than the maximum period of six years set by Article 9 of Order No. 2014-948 of 20 August 2014. In view of the election of the seven employee directors under this order, the Board of Directors was renewed all at the same time.
13.2		The staggering of the terms of office is structured in such a way as to avoid renewals en masse and to ensure that the director reappointment process goes smoothly.	
15		Audit Committee	
15.1		Composition "The portion of independent directors in the Audit Committee (excluding [...] directors representing employees, which are not recognised) must be at least two-thirds."	As the composition of the Board of Directors is set forth by law, the La Poste General Shareholders' Meeting cannot decide to include independent directors.
16		Nominations Committee	
		"The Nominations Committee plays a key role in the future of the Company as it is responsible for the future composition of the management bodies. Each Board of Directors must also constitute a Nominations Committee within it for directors and executive corporate officers which may or may not be independent of or part of the Compensation Committee. (...) It must not include any executive corporate officers and must be comprised of a majority of independent directors."	The composition of La Poste's Board of Directors is laid down by law. Four directors are neither civil servants nor employees of the French State.
17		Compensation Committee	
17.1		Composition The Compensation Committee "[...] must comprise a majority of independent directors [...]. It is recommended that the Chairman of the Committee be independent and that an employee director be a member."	The composition of La Poste's Board of Directors is laid down by law. Four directors proposed by the French State are neither employees of the French State nor civil servants.

Number of the Afep-Medef recommendation -2018 version	Numbering of the 2016 version of the Code	Principles of the Code	Situation of the Company and comments
19		Code of Ethics concerning directors	
		Unless otherwise provided for by law, directors must be shareholders on a personal basis and, in application of the provisions of the Articles of Association or internal rules of procedure, hold a significant number of shares with regard to the directors' fees allocated. Should directors not hold these shares at the time of taking up office, they shall use their directors' fees to obtain them. The directors submit this information to the Company which includes said information in its annual report;	The law reserves the ownership of La Poste's share capital to the French State and other public law legal entities, subject to any employee share ownership (not put in place). In consequence, it is impossible for a director who is a private individual to be a shareholder.
22		Obligation for executive corporate officers to hold shares	
		"The Board of Directors defines a minimum quantity of shares that executive corporate officers must hold in their name until the end of their service. This decision is reviewed at least every time their terms of office are reviewed (...)."	The Chairman and Chief Executive Officer cannot hold Company shares in his name because Article 1-2 of the law of 1990 reserves the ownership of La Poste's share capital to the French State, and to other public law legal entities and, if applicable, employees.
24		Compensation of executive corporate officers	
24.1		Principles for determining the compensation of executive corporate officers and the role of the Board of Directors	The Board of Directors sets the compensation of the Chairman and Chief Executive Officer, but it must be approved by the Minister of the Economy (Art. 3 I. 2° of the Decree of 9 August 1953).
24.1.1		"Determining the compensation of executive corporate officers is the Board of Directors' responsibility [...] and is based on proposals by the Compensation Committee. The Board of Directors justifies the decisions it makes concerning this matter. The compensation of these senior executives must be competitive, tailored to the corporate strategy and the Company's context and must factor in objectives concerning the promotion of the Company's competitiveness in the medium and long term and have one or more corporate social responsibility criteria built in."	The compensation for activity (fixed and variable portion and directors' fees) of executive corporate officers of public sector companies (Article 3-III of the Decree of 9 August 1953) is capped at €450,000 gross.
24.3.1		Fixed compensation of executive corporate officers Fixed compensation must only be reviewed at relatively long intervals.	The components making up the compensation of the Chairman and Chief Executive Officer are determined by the Board of Directors within the limit specified by decree (Art. 3. I of the Decree of 9 August 1953, amended by Decree No. 2012-915 of 26 July 2012: ceiling of €450,000). Compensation approved by a decision of the Minister of the Economy and validated each year by the Board of Directors.
25		Information on the compensation of corporate officers and stock option and performance share allocation policies	
25.1		Ongoing information "Any components of potential or acquired compensation of executive corporate officers are made public immediately after the Board of Directors' meeting that approved them."	The compensation of the Chairman and Chief Executive Officer is made public once it has been approved by a ministerial decision, in accordance with the Decree of 9 August 1953.



EMPLOYEES

17

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Le Groupe La Poste has opted for a strong social model based on quality jobs, equal opportunity, diversity and support for career paths. In order to continue its responsible development in a rapidly-changing environment, and in order to make each employee an actor and beneficiary of the Company's transformation, La Poste set up the Social Pact – the employee-related component of the "La Poste 2020: Conquering the future" strategic plan, in 2014.

The Social Pact covers four major focus areas:

- training;
- professional development;
- health and quality of life at work;
- managerial development and transformation of the HR division.

Following on from the 12 agreements signed in 2017, 2018 was also very dynamic in terms of social dialogue; a further 13 agreements and amendments were signed.

17.1 Group headcount

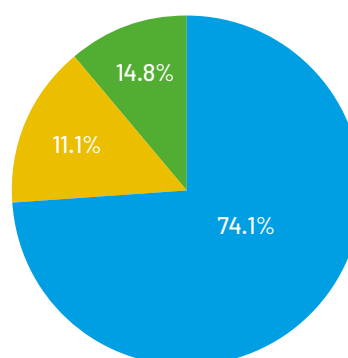
17.1.1 CHANGES IN GROUP HEADCOUNT

Headcount in full-time equivalents on average^(a)

	2018	2017
Le Groupe La Poste	251,219	253,219

(a) Civil servants, permanent contracts, temporary contracts, including training contracts for La Poste, excluding training contracts for subsidiaries.

Le Groupe La Poste had an average of 251,219 full-time equivalent employees in 2018, a decrease of 0.78% compared to 2017. Changes in headcount are the difference between natural departures (mainly as a result of retirement) and new hires.



25.9% [La Poste parent company (France)
Foreign subsidiaries
French subsidiaries

17.1.2 BREAKDOWN OF GROUP HEADCOUNT

17.1.2.1 Breakdown of Group headcount by continent^(a)

Africa	America	Asia	Europe	Oceania	Total
1.11%	0.97%	0.20%	97.67%	0.05%	100.0%

France	Other countries in Western Europe ^(b)	Eastern European countries and Russia	Total workforce in Europe
85.24%	8.02%	4.41%	97.67%

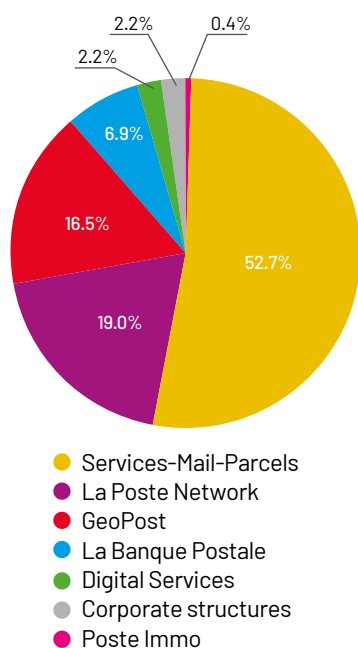
93.26% of the Group's workforce is located in Western Europe

(a) Source: Consolidated financial statements for La Poste, its subsidiaries and the companies under its control (fully-consolidated companies). The workforce is expressed in full-time equivalents.

(b) Unesco classification: Andorra, Austria, Belgium, Denmark, Finland, Germany, Greece, Iceland, Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, Netherlands, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, United Kingdom, Vatican City, as well as France, which is shown separately in the table.

17.1.2.2 Breakdown of Group headcount by business unit

Full-time equivalents on average



17.1.2.3 Breakdown of Group headcount by company

In full-time equivalents (FTE)

La Poste parent company ^(a)	74.11%
Subsidiaries consolidated in the social indicators ^(b)	10.94%
Scope of the social indicators^(c)	85.06%
Other subsidiaries	14.94%
TOTAL	100.0%

(a) Includes employees made available to La Banque Postale as a shared resource for the financial centres (5.12% of Group headcount).

(b) Includes all subsidiaries located in France.

(c) Unless otherwise specified in the indicator.

17.2 Responsible employment policy

La Poste is one of the largest employers in the French job market. It has a responsible employment policy in place against a backdrop of reduced mail volumes and declining visits to post offices, but also increasing parcel volumes. Two objectives are key in its employment and hiring policy:

- maximise the number of employees on permanent contracts. Applications from those who have worked for La Poste are prioritised when hiring under permanent contracts for the same position. In 2018, 3,061 employees who had previously been employed on temporary contracts were transferred to

permanent contracts, versus 3,086 in 2017. Within the Group, the total number of employees recruited on permanent contracts in 2018 was 16,323 (14,658 in 2017);

- implement a recruitment policy that promotes diversity and equal opportunity, and reflects the Group's commitment in these areas.

This is reflected by the fact that 92.8% of employees were on permanent contracts in 2018, and by the Group's low employee turnover (5.2% in 2018 compared to 4.9% in 2017).

Work organisation summary table

The work organisation in Le Groupe La Poste companies in France (which accounts for 85.24% of Group headcount and 73% of consolidated revenue) is based on an average of 35 working hours per week for day shifts, and 32 hours per week for night shifts. Night shifts do not concern La Banque Postale, or Mediapost.

Indicators	Le Groupe La Poste*	
	2018	2017
Percentage of part-time employees in the headcount as at 31/12 (individuals, excluding temporary contract employees)	11.96%	12.42%
Percentage of employees working night shift in the workforce as at 31/12 (individuals, excluding temporary contract employees)	2.47%	2.70%
Days of absence due to illness (number of calendar days)	5,371,912	5,485,496
Number of paid overtime hours	3,642,525	3,398,932

* Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

17.3 Professional development, training and promotion policy

The Social Pact, which is part of the Group's "La Poste 2020: Conquering the future" strategic plan, places professional development and training at the very heart of human resources management policies.

17.3.1 CAREER DEVELOPMENT

La Poste furthers professional development that respects individuals and promotes diversity in career paths, the ultimate goals being:

- to fulfil employees' professional development goals, whatever these may be (internal, geographic or functional mobility, transfer out to the public sector or the social and solidarity-based economy, setting up a business);
- to win the loyalty of La Poste employees by offering them more professional development opportunities;
- to support the Company's modernisation by allowing skills to be mobilised wherever and whenever they are needed;
- to strengthen the implementation of skills-based human resources management.

La Poste has introduced the *Saisons de l'évolution professionnelle* (Professional development seasons): every facility holds a professional development event once a year.

years, decreased by 4.8% in 2018. The 12 Group Mobility and Recruitment Spaces (*Espaces mobilité et recrutement Groupe – EMRG*), in Paris and other cities, help employees across France with their professional development. They head up a network of 270 professional development advisers which has been in place across all La Poste departments since 2015;

- La Poste encourages cross-entity career paths between business units and between professional fields. As a result, 11% of the French⁽¹⁾ workforce were able to advance their careers within the Group in 2018;
- building the postal service of tomorrow with today's employees also involves entering into partnerships, such as the one agreed with Simplon, a company in the social and solidarity-based economy which operates a centre offering free training in computer coding to support companies in their digital transformation. This partnership enables postmen and customer service managers to obtain web/app development qualifications and integrate the La Poste IT services. The success of this initiative was reflected by the fact that 18 employees were selected from over 400 candidates for the third cohort in 2018/2019.

17.3.1.1 Internal mobility

Professional development opportunities are created within the Group by way of the following initiatives:

- since it was set up in 2015, the Jobs, Skills and Qualifications Observatory has produced a set of guidelines common to all of the Group's 156 business lines and 27 professional divisions, so that employees can learn about potential career paths;
- La Poste provides employees with improved opportunities to play an active role in defining their career paths: a job board accessible to all employees on the intranet and Internet, internal mobility rules, a network of advisers operating across the different business units and a dedicated professional development website. The number of jobs posted on the job board, which tripled between 2014 (5,700 jobs) and 2017 (16,082 jobs), increased further still, by 12% in 2018. By contrast, the number of applications, which had also been rising for three

17.3.1.2 External mobility

Public sector mobility

In response to employees' requests for mobility towards one of the three public functions (French State, local government and hospitals), La Poste has introduced a legal process of secondment, then transfer, of employees into these functions: on the one hand, a special process common to the three public functions, introduced by law No. 2007-148 of 2 February 2007 (regularly extended, until 31 December 2020), and on the other, secondments of common-law civil servants and assistance for private-law employees. La Poste helped 225 employees transfer out to the public sector in 2018 (a 17.8% rise compared to 2017).

(1) Functional and/or geographic transfers, either from one business unit to another or within a business unit, or from the parent company to a subsidiary. Does not include transfers from subsidiaries to the parent company.

Business creation

La Poste has an active policy to support its employees' entrepreneurship projects (creation or takeover of a business). The policy includes: a toll-free number where employees can receive support from specialist advisers, access training and arrange adjusted working hours, receive financial assistance and post-set-up monitoring and organise their return to work, if needed. In 2018, 182 employees set up or took over a business (a 38.9% rise compared to 2017).

Mobility towards the social and solidarity-based economy

La Poste also helps employees transfer out into the growing social and solidarity-based economy (SSE), which offers a wide range of roles. The "Dynamic Alliance" partnership provides a range of ways for employees to engage with SSE organisations: professional development to an SSE organisation, setting-up of an organisation or end-of-career commitment to a general-interest cause. In 2018, 119 employees successfully completed such external development projects (a 1.7% rise compared to 2017).

17.3.2 TRAINING

17.3.2.1 Training challenges

Training is key to professional development and now more than ever it is perceived as an investment in the future. Training is intended to fulfil two main purposes:

- anticipating and responding to the needs for development, change and emergence of the skills expected by the Company and by employees;
- increasing the visibility and accessibility of a unified training offer for all employees, particularly based on a cross-ENTITY training offer.

As a result, some major training programmes are continuing, and new ones have been set up:

- a programme of 50,000 internally-certified training paths leading to qualifications between 2015 and 2020, to develop key skills and work towards employees' career paths; approximately 37,000 paths had been started at the end of 2018 (vs 28,000 at the end of 2017);
- an individual training program with a self-service training offer (OLS) open to all employees since April 2017, now based on two themes: corporate culture, and digital and data. More than

60,000 employees have taken at least one OLS training module (of which more than 50,000 in 2018);

- a common pathway to improve managerial skills, spearheaded by the Group's Institute of Management (IM). This pathway includes management training programmes: face-to-face, online "self-service" options, a cycle of conferences and dedicated training for new managers. All Group managers can register for these programmes via a dedicated portal. The six regional sites also enable employees all over France to access training. At the end of 2018, 9,797 managers had taken part in a programme run by the IM (compared with 10,730 in 2017);
- the introduction of the Institute of Development (ID) which aims to train the 19,000 employees within the support divisions. Via the Institute's website, employees of these divisions are now able to access shared training on topics such as project management, risk management, accounting documents and customer care, which are delivered as short online programmes, face-to-face training or conferences. In 2018, the ID delivered training sessions to 13,506 employees.

Training access rates were high for the sixth year in a row in 2018, with more than eight employees out of ten having attended at least one training course, and nine out of ten having received training in the past two years.

17.3.2.2 Summary table on training

Indicators	Le Groupe La Poste ^(b)		
	2018	2017	2016
Total number of training hours ^(a)	4,904,426	4,808,464	5,432,771

(a) Total number of internal and external training hours taken by all employees (total headcount present during the year, including work-study students). Training hours under study leave (CIF, CFP) or accreditation of prior learning (VAE) and skills audits are not taken into account as training actions. Courses are taken into account for the year in which they are completed.

(b) Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

17.3.3 AN ACTIVE PART-TIME EDUCATION POLICY

As the largest recruiter of work-study students in France⁽¹⁾, La Poste has for a long time been firmly committed to a policy of training young people and integrating them into the workplace, via apprenticeship contracts and professional enhancement contracts leading to degrees and/or professional qualifications, from the Professional Ability Certificate qualification (CAP) to Masters level.

La Poste has committed to hiring 12,000 young people under part-time education contracts over the 2016-2018 period as part of the collective majority agreement signed on 3 October 2016 on integrating young people and older people into employment. After the 13,788 contracts signed over the three years from 2013-2015, it had already signed a further 12,769 contracts in 2016-2017. During

2018, 4,902 new apprenticeship or professional enhancement contracts were signed.

Since 2016, La Poste has been a partner of the Innovation Foundation for Apprenticeships (*Fondation Innovation pour les apprentissages* – FIPA) to provide even more opportunities. The objective is to work with other companies to develop all forms of work-study apprenticeships (apprenticeship, vocational training contracts, apprenticeships for the long-term unemployed, career orientation apprenticeships and continuing professional development apprenticeships), in particular as regards the new business lines.

17.3.4 PROMOTION

Given the key role of skills development in La Poste's human resources policy and management, there are three means by which employees may be promoted – recognition of knowledge and skills, recognition of career potential, and recognition of work experience.

In 2018, 15,541 employees were promoted via one of these three channels, i.e. a promotion rate of 8.05%.

17.4 Diversity and equal opportunity

La Poste conducts an active policy to promote diversity and equal opportunities. This policy is confirmed at the highest level of the Company and has been rolled out, in particular, via a network of diversity officers in the regional structures.

As a signatory of the Charter for Diversity since 2006, the Group has a Code of Ethics and Internal Company Rules, which detail the commitments towards preventing discrimination. In December 2018, it signed the *Autre cercle* Charter, which aims to tackle all discrimination linked to sexual orientation and gender identity issues.

In 2010, the Group introduced a Recruitment Charter, in which it makes a commitment to equal opportunities, considering all applications and showing objectivity and respect in the recruitment process. It promotes diversity in its recruitment processes using several methods (recruiting in urban priority locals, vocational training contracts, apprenticeship contracts and simulation-based recruitment).

Furthermore, La Poste works every year to raise awareness among its employees of diversity through national and local communication campaigns. The new awareness campaign for 2018 promoted respect for diversity and equal opportunity in the workplace, focusing on three themes: gender-balanced jobs, chronic illnesses and sexual orientation. An agreement to improve the work/life balance of caregivers was also signed in 2018. The agreement sets up a "caregiver solidarity fund" which gives leave days to caregiving employees. This fund is fed by La Poste, which provides 1,000 days a year, and by La Poste employees who wish to do so, anonymously. The caregiver La Poste employees receive three days of special absence authorisations to accompany the assisted person in their administrative and medical procedures. They also have the opportunity to organise their working day and can telecommute. In addition, they benefit from simplified access to part-time work and support in their professional development if they need to move geographically.

17.4.1 EMPLOYMENT AND INTEGRATION OF DISABLED PEOPLE OR LESS COMPETENT WORKERS

La Poste is implementing a proactive policy to support the employment and professional development of "disabled or less competent people". In May 2015, the sixth agreement was signed to promote the employment of disabled people, for the years 2015-2017.

This agreement was extended by one year until 31 December 2018. A national network of disability officers supports the implementation of this policy.

(1) According to the *Le Figaro Économie - Cadremploi* survey conducted on 407 French companies, published in February 2018.

- In terms of employment, priority is placed on keeping disabled people in work by adapting work stations. In 2018, over 60% of the disability agreement budget was spent on these measures. Commissions have been set up throughout the Company to assist with returns to work and to help keep people with disabilities in work. These campaigns facilitate the search for job retention solutions for people who are disabled or unable to work through joint action by all stakeholders in those policies for each individual situation.
- With 6.75% in 2018 (as in 2017, with 6.42%), La Poste exceeded the statutory employment rate of 6% of people with disabilities. The Company currently has more than 14,000 employees with a recognised disability. With 678 new hires in 2015-2018 under permanent contracts, part-time education and temporary contracts of six months or more, it went beyond its commitment to hire 467 disabled people over that period.
- Specific measures have been implemented to ensure that disabled employees have a good work/life balance. The adjusted

part-time hours system offers more favourable conditions in terms of age requirements and time off to older BOE (beneficiary of the statutory employment rate of people with disability) employees. Additional specially authorised days off for employees who need to perform administrative procedures in relation to their disabilities have been created.

- Lastly, digital accessibility for communication methods and applications are being improved.
- La Poste supports companies in the disabled and sheltered sector, from which it made purchases worth €12.9 million in 2018. Its commitment of purchasing more than €47.5 million excluding taxes of services rendered in four years has been exceeded with over €59.3 million in purchases.

The Group also participates in several events related to disabilities and anti-discrimination to increase employees' awareness, in particular, through the Disabled Employment Week (*Semaine pour l'emploi des personnes handicapées* – SEPH).

17.4.2 GENDER EQUALITY

La Poste signed a third agreement on workplace equality in July 2015, which defines new commitments for the 2015-2017 period. This agreement was extended by one year via the amendment signed in June 2018. The agreement aims to promote gender-balanced recruitment and employment, ensure the same professional development opportunities for men and women, equal compensation, equal access to training, improve the work-life balance, make special provisions for parents and those affected by violence in the home and in the workplace and to raise awareness and communicate with employees around these issues.

Additionally, La Poste is also a signatory of:

- the United Nations Global Compact and the CEO commitment for gender equality across the world;
- the Parenthood Charter;
- a framework agreement to increase female participation in governance bodies, which was signed in April 2013 with 16 other large groups and the Minister of Women's Rights.

Its active gender equality policy meant that, in 2018, 52.4% of La Poste employees were women, 50.1% of management positions were filled by women and 32.1% of senior executives were women.

Indicator	2018	2017	2016
Proportion of women on the Management Committee*	30.4%	30.1%	30.1%

* Members of the Management Committee hold strategic positions within La Poste and its French subsidiaries, as defined by the Group's Executive Committee.

Le Groupe La Poste*			
Indicator	2018	2017	2016
Gender pay gap	-5.2%	-5.1%	-5.4%

* Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

La Poste monitors this indicator closely, in order to ensure that women receive equal compensation to men for the same work or for work of equal value. The wage gap was very narrow in 2018 at La Poste, thanks to the Group's gender equality measures.

Female civil servant employees earned 2.9% less than their male counterparts, and female private law employees earned 0.2% less than their male counterparts.

17.4.3 PROMOTING DIVERSITY

17.4.3.1 Age and intergenerational management

La Poste has implemented an action plan for age management in order to encourage the integration, employability and development of both younger and older employees' skills. In 2018, of all new recruits on permanent contracts, the proportion aged 45 or over was 9.59%, in line with the agreement on *Insertion des jeunes et l'emploi des seniors* (Inclusion of young people and employment of seniors) signed in October 2016. This agreement involves paying special attention to intergenerational communication and aims to constantly improve the incorporation of young people into the Company, recruit older employees and keep them in work and transfer knowledge and skills.

17.4.3.2 Commitment to disadvantaged areas

As it operates throughout France, in 2008 La Poste signed the national commitment to youth employment in disadvantaged

areas. It has made a commitment to include young people from disadvantaged areas in the workplace, via a dynamic recruitment policy and a range of partnerships:

- with the *Nos quartiers ont du talent* (Our neighbourhoods have talent) association for the workplace inclusion of young graduates from urban priority locals and underprivileged social backgrounds. This cooperation involves employees volunteering to mentor young people to help them into employment as well as meetings between young graduates and company managers;
- with *Écoles de la deuxième chance* – E2C (Second chance schools) to integrate young people between the ages of 18 and 25 who left school without a diploma. Employees have the opportunity to be a mentor and support these young people in mastering basic knowledge and then preparing them for work through short-term internships within the Company;
- a pilot scheme which started up in 2016 with young people from voluntary military service, the Ministry of Defence, to offer vocational training in delivery and training leading to certification for young people with few or no qualifications, in the Paris region.

17.5 Health and safety – Quality of life at work

La Poste and its management are committed to actively addressing employee concerns about health, safety and quality of life at work. Two agreements were signed to bolster this commitment: the *Qualité de Vie au Travail* (Quality of life at work) agreement in 2013; then the *Un avenir pour chaque postier* (A future for every La Poste employee) agreement in 2015. The latter agreement applies to all La Poste employees for a period of five years.

QLW is an ongoing requirement in each project and in each method of organisation, in order to ensure a quality work environment (organisation, content, purpose and working conditions), the quality of working relations within work groups and management; the quality of individual support and health and safety at work.

The implementation of QLW commitments is also reflected in:

- the *Bien-être au travail* (Well-being at work) programme, which promotes the overall health of employees: prevention policy, greater support for employees confronted with discourtesy, encouraging all team members to express their opinions, adapting career paths to the abilities of each employee and individual mentoring for employees who are or have been absent. In 2018, this programme focused on preventing people from becoming unfit or having accidents, implementing measures to

support employees before, during and after long absences from work ("*APALA: Avant/Pendant/Après L'Absence*") and incorporating new employees;

- the programme to improve work spaces ensures that all employees have a suitable work environment, a good quality of life at work and adapted equipment for shared spaces. In 2018, this programme was rolled out to office buildings and public spaces in post offices, with 1,400 renovation projects completed.

Furthermore, the February 2017 agreement on improving the working conditions of postmen and their managers and on supporting the transformation of delivery roles entails many specific measures: a more balanced workload, improved equipment and premises, revised work schedules and managerial support to ensure health and quality of life at work.

This agreement completes the major agreements already signed in other business lines: the agreement on the Network's customer service managers and the agreement on the business lines and career paths of banking advisers, both of March 2016, and the agreement on conditions for banking adviser roles of September 2017.

17.5.1 QUALITY OF LIFE AT WORK INITIATIVES

Out of all the above-mentioned topics that pertain to quality of life at work, the QLW and *Un avenir pour chaque postier* (A future for every La Poste employee) agreements resulted in:

- access to training, which has improved considerably since 2013;
- increased use of teleworking: at the end of 2018, over 2,236 employees worked remotely;
- the deployment of over 1,000 local HR managers;
- part-time work arrangement for older employees;
- additional rest days being granted to older employees working in physically-demanding positions.

Furthermore, following the successful pilot scheme at 40 La Poste sites in 2017, work discussion spaces continued to be rolled out in 2018 at operational entities and support functions; 1,000 managers have already received training. These spaces are designed to enable teams and their supervisors to discuss the working conditions of each member.

La Poste is implementing the right to disconnect, the principle of which was provided for by the July 2015 agreement. While taking into consideration the structure of the Company, which operates 24 hours a day, this right is organised on the basis of a reference disconnection time determined for each employee and new ways of using communications in the workplace, with a blanket disconnection window across all employee work stations. In 2018, this initiative was extended to include domestic connections (webmail).

17.5.2 CHANGE MANAGEMENT METHOD

Introduced in early 2013 in the QLW agreement, the change management methods in place at La Poste support major projects which change the organisation and operation of services, throughout France.

From launching a project to the end of its roll-out, this method includes a certain number of steps to ensure that the meaning of

projects, as well as social dialogue on them is properly shared, that continuous information on the advancement thereof is provided to employees, and that the Company individually listens to employees about their work-related concerns, in terms of working conditions as well as work/life balance.

17.5.3 INITIATIVES TO PREVENT OCCUPATIONAL RISK AND ACCIDENTS AT WORK

17.5.3.1 Preventing accidents at work and musculoskeletal disorders

With regards to preventing accidents at work and musculoskeletal disorders, La Poste has taken action at several levels:

- introduction of new work equipment to reduce risks: for example, gradual replacement of two-wheeled motorcycles with new three-wheeled Stabys to reduce driving risks, obligatory helmet use while riding a bicycle, roll-out of warehouse assistance tools in industrial platforms and other equipment adapted for post offices, etc.;
- training modules: training managers and staff in reducing handling risks and bad posture at work, and preventing discourteous behaviour and external aggression; training programmes on prevention for the prevention division, site managers and CHSCT (Health, Safety and Working Conditions Committee) chairs;
- continued driving accrediting systems for all employees who drive as part of their job.

17.5.3.2 Preventing psychosocial risks and encouraging a good work/life balance

La Poste has implemented several psychosocial risk prevention programmes:

- joint rules in the event of an organisational change help to maintain high quality social dialogue as well as to conduct studies on the impact of change, leading to subsequent action plans;
- training on management fundamentals and on assessing and preventing psycho-social risks within the Company;
- a system to prevent and handle situations involving psychological and sexual harassment;
- a telephone-based listening and psychological support system rolled out throughout the country with a phone number accessible for all employees and another phone number specifically intended for managers and HR employees;
- in 2018, 1,267 managers received training at the Institute of Management on quality of life at work and on listening to and supporting people experiencing difficult situations.

17.5.3.3 Medical monitoring

La Poste has its own health services to monitor employees' on-the-job health. Medical coordination teams have been reinforced. La Poste relies on its occupational healthcare services and

social assistants to roll out its policies. At the end of 2018, it had 128 occupational health doctors, 149 occupational nurses, and 109 occupational healthcare assistants. La Poste also has its own social services function, which at the end of 2018 had 285 social assistants.

17.5.3.4 Summary table on health and safety

Indicators	Le Groupe La Poste ^(d)	
	2018	2017
Number of days of absence due to accidents at work or commuting accidents or occupational illness ^(a)	783,949	795,800
Accidents at work with time off:		
• Frequency rate ^(b)	25.05	27.55
• Severity rate ^(c)	1.47	1.50

(a) This indicator is calculated based on the number of individuals employed (excluding temporary contracts). The days of absence are counted in calendar days.

(b) For the La Poste parent company: civil servants, permanent contracts, temporary contracts. Number of accidents at work with time off (excluding commuting) per thousand hours worked. The hours worked are calculated on the basis of the average workforce multiplied by the number of hours worked per annum. New calculation method for the frequency rate (starting in 2017), which is calculated as at 31 December, with one month consolidation, and taking into account all of the contracts (excluding interns).

(c) For the La Poste parent company: civil servants, permanent contracts, temporary contracts. Number of days off due to accidents at work (excluding commuting) per thousand hours worked. The days lost for accidents at work are counted in calendar days. "The number of accidents at work with time off as well as the number of days off due to accidents were taken from the HR management systems on 31 December."

(d) Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

Within La Poste, thanks to the measures taken, in 2018 the frequency rate decreased by 7.8% to reach 24.44 (vs 26.51 in 2017) and the severity rate decreased by 2% to reach 1.44 (vs 1.47 in 2017).

17.6 HR support roles

17.6.1 LOCAL HR MANAGERS

Local HR managers have been recruited and trained in every region and in each of La Poste's business units.

Their work benefits all managers and employees, enabling, on a basic level, all aspects of working life to be dealt with, while respecting confidentiality and freedom of expression. It also involves notifying and processing day-to-day administrative issues:

- providing information on and dealing with day-to-day administrative issues:

- providing information and giving advice about professional development;
- being a trusted adviser for employees experiencing a difficult situation, regardless of whether it is professional or personal;
- supporting managers in ensuring the management and professional development of team members.

17.6.2 HR ROLE OF MANAGERS

In order to assist and support new managers, since 2013, a specific training programme based on the HR role of managers was put in place. This training has helped managers:

- know how to perform their role in supporting employees, and in particular in supporting their professional development;
- support their teams in driving change;

- know how to create individual and collective quality of life at work conditions within their team.

This two-day training course is mandatory and must be attended before or as soon as the person assumes this managerial position. In 2018, 591 new La Poste managers were trained in their HR roles. Additionally, La Poste now appoints an experienced manager to mentor each new manager to support them during their first months in their new position.

17.6.3 STAFF REPRESENTATIVES

The La Poste working method is based on intense social dialogue, including negotiation, information and consultation, to ensure that everyone is involved in projects. The 59 national agreements signed since 2012 are the result of constructive consultation with each representative trade union and are proof that all of the participants in these negotiations are supporting the Company's transformation for the benefit of all employees. This commitment to support through social dialogue exists at all levels of the organisation and is reflected at local level by the signature of 13 agreements in 2018 (vs 12 in 2017).

To guarantee that these principles are followed, La Poste has set up an employee alert system (operational since 2013) so that trade unions can notify the local director, then the Group's HR if necessary, of any failure that they believe occurred in implementing its commitments relating to social dialogue, change management and respect of the agreements signed.

17.7 General compensation policy

17.7.1 WAGE POLICY

Special measures apply to civil servant employees in the public sector (points accumulation system).

For private-law employees, the compensation policy is set out in the Company agreement and through annual pay negotiations. The compensation policy primarily comprises an annual negotiated change as well as a certain progression in years of service recognising the development of expertise in a job. It is supplemented with promotion measures adding value to career paths and changes. Additional compensation to cover family costs takes into account changes in employees' personal lives.

For managers, the compensation policy includes both individual fixed pay increases based on personal added value and potential held, and variable awards based on annual quantitative and qualitative targets.

Sales staff (Mail and Parcel sales and banking advisers, *i.e.* more than 10,000 individuals) receive a variable compensation scheme that is appropriate for the sales policy, including in the banking area.

2018 was characterised by the signing of a new employee agreement that illustrates the continuation of a positive and balanced development dynamic for compensation, while supporting changes within the Company.

17.7.2 EMPLOYEE INCENTIVE-BASED PAY

The incentive system in effect at La Poste since 2007 is based on economic, quality of service and responsible development results.

A new incentive agreement was signed in 2015 for a three-year period. Employee incentive-based pay is now proportional to the Group's operating profit and thus more in line with each employee's achievements. In order to make employees more aware of increasing profits, a performance bonus is also distributed if profits are higher than the budget approved by the Board of Directors for the year. Following the agreement of 2015 and the amendment of

2016, a new incentive agreement was signed in June 2018, further reinforcing the impact of the operating profit/(loss) on the amount paid out for the 2018-2020 period.

The incentive accentuates efforts accomplished and increases awareness that employees have a direct impact on the Company's operational performance and profits. These incentives amounted to €96.2 million for the 2018 fiscal year.

Most subsidiaries have employee incentive agreements as well.

17.7.3 GROUP SAVINGS PLAN AND COLLECTIVE RETIREMENT SAVINGS PLAN

In December 2006, La Poste and five trade unions (FO, CFDT, CFTC, CGC and UNSA) signed two agreements respectively instituting the group savings plan (*plan d'épargne Groupe* – PEG) and collective retirement savings plan (*plan d'épargne pour la retraite collectif* – PERCO).

These collective savings plans set up by La Poste are also open to French subsidiaries which meet the membership conditions (at least 50% directly or indirectly owned by La Poste or subsidiaries whose financial statements are fully consolidated at Le Groupe La Poste level). Currently, 13 subsidiaries have chosen to be members of the Group employee savings plans (including Mediapost, Chronopost and Poste Immo, among the largest). Employees of La Poste and member subsidiaries have the option to start saving in employee savings plans once they have been with the Company for three months, by making voluntary payments and/or by putting their profit-sharing and/or bonus in them. Since 2014, La Poste has also allowed its employees to transfer up to ten days of their time savings account (*compte épargne-temps* – CET) to their PERCO (excluding annual holidays) once per year.

La Poste makes a contribution on top of the amounts that employees pay into their PEG and PERCO accounts. In 2018, the total contribution paid by La Poste was €23 million, compared to €23.8 million in 2017. Subsidiaries which have signed up to the plans are free to set their own contributions: in 2018, the total contribution paid by subsidiaries was €1.1 million, compared to €1.1 million in 2017.

The amounts paid into the PEG and PERCO accounts are invested in a wide range of employee mutual funds (*fonds communs de placement d'entreprise* – FCPE) that are offered exclusively to Le Groupe La Poste. Five FCPEs covered all asset classes at 31 December 2018, enabling investors to select their investment according to their risk-return profile: a money-market fund (La Poste Responsable Monétaire), a bond fund (La Poste

Obligations), an equity fund (La Poste Actions 100), a combined bond-focused fund (La Poste Actions 30 Europe) and a combined equity-focused fund with a responsible investment policy (La Poste Responsable Actions 70 Solidaire). A sixth FCPE was added on 21 January 2019 – it is a flexible diversified fund (La Poste Allocation Flexible); its allocation across the different asset classes changes over time on the initiative of the manager in response to market conditions. The employee mutual funds are invested heavily in socially responsible investment (SRI) assets. The La Poste Responsable Monétaire employee mutual fund accounts for almost 39% of employee investments. 61% of the investments are SRI assets. SRI asset floor rates are also applied for the bond and equity funds. La Banque Postale Asset Management (LBPAM) manages these employee mutual funds.

As at 31 December 2018, Le Groupe La Poste had 142,620 unit holders in the Group employee savings plans, a 10.5% increase between 2017 and 2018.

There were 130,519 unit holders from the La Poste parent company, representing €763 million in assets under management as at 31 December 2018.

There were 12,101 unit holders from the subsidiaries, representing €31.5 million in assets under management as at 31 December 2018.

In terms of governance, a shared La Poste employee mutual fund Supervisory Board, comprising an equal number of employee representatives of unit-holders and Group employer representatives who are members of the employee savings plans, is in place. It met three times in 2018. La Poste has a pro-active training policy for Supervisory Board members. Since 2012, they have been receiving tailored training: there is a welcome module for new arrivals, to help familiarise them with financial products and financial management techniques, followed by a more in-depth module to meet the specific needs of the more experienced members.

17.7.4 EMPLOYEE PROFIT-SHARING

Currently, there is no employee profit-sharing programme in place at La Poste.

Law No. 2010-123 of 9 February 2010 (Article 12) provides for the possibility of such a programme under the terms and conditions set forth by a French Council of State decree, but its introduction remains subject to the issuance of a decree (provision in the second paragraph of Article L. 3321-1 of the French Labour Code, whereby "a

Council of State decree specifies which industrial and commercial public enterprises, companies, business combinations or legal entities – regardless of their legal status but where more than half of the share capital is held directly by the French State – are subject to the provisions of this title. The decree establishes the conditions under which these provisions apply").

Subsidiaries are required to operate profit-sharing programmes.

17.7.5 SUMMARY TABLE ON COMPENSATION

Indicators	Le Groupe La Poste ^(c)		
	2018	2017	2016
Gross average annual compensation ^(a)	€31,464	€30,877	€30,395
Change Y/Y-1	+1.9%	+1.6%	+1.5%
Annual employee incentive pay based on annual earnings	€96.2 million	€119.8 million	€101.1 million
Number of employees with a group savings plan (PEG) and/or a collective retirement savings plan (PERCO) ^(b)	150,349	135,737	123,887
Net contribution paid by the Company	€28.5 million	€29.7 million	€27.1 million
Percentage of socially responsible investments in the PEG and PERCO assets	46.21%	44.68%	48.32%

(a) The indicator is calculated based on the gross compensation paid. The average compensation includes compensation items paid monthly, but does not include variable bonuses. The number of employees taken into account is the average number of employees in FTE for the year.

(b) La Poste and some subsidiaries, such as Mediapost, are members of the group savings plan (PEG) and collective retirement savings plan (PERCO). La Banque Postale has its own employee savings schemes (PEG and PERCO).

(c) Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

17.8 Employee policy

17.8.1 STATUS OF STAFF

Having both civil servant employees, public contract staff and private-law employees, La Poste tries to apply common or at least comparable HR rules to each group. This policy is essential as each part of the Company has civil servant employees and private-law employees at the same workstations.

The Group has hired its new employees under private sector status since 2002. The number of employees governed by public sector legislation has been in steady decline and represented 29.0% of the Group's entire headcount at the end of 2018 (31.9% in 2017).

According to Article 29 of the law of 2 July 1990, La Poste's civil servant employees are governed by specific regulations pursuant to law No. 83-634 of 13 July 1983 on the rights and obligations of civil servants and to law No. 84-16 of 11 January 1984 on legal provisions relating to the French public sector.

According to Article 31 of the law of 2 July 1990, contractual staff is subject to collective agreements.

Law No. 2010-123 of 9 February 2010 relating to La Poste as a public sector company and to postal business, did not affect pre-existing provisions on the status of staff.

17.8.2 SOCIAL DIALOGUE AND STAFF REPRESENTATION

17.8.2.1 Institutions representing staff at La Poste

La Poste's institutions representing staff (*institutions représentatives du personnel* – IRP) are mostly governed by public sector legislation, with the exception of the Health, Safety and Working Conditions Committees (*Comités d'hygiène, de sécurité et des conditions de travail* – CHSCT) which were established on 15 November 2011 and which are largely subject to the rules set forth in the French Labour Code.

The nature of the Company's staff representation institutions have not changed, despite La Poste's transformation from a public industrial and commercial establishment to a public limited company in 2010, and the Orders of 22 September 2017 on the merger of bodies and on union representatives. Because several personnel categories (civil servants, public contract staff and employees) coexist alongside one another (the rules governing this arrangement are set forth in the 1990 law), consistent representation and social dialogue rules need to be ensured across the Company.

Individual representation

The individual representation bodies include Joint Administration Committees (*Commissions administratives paritaires* – CAP) for civil servant employees and Joint Advisory Committees (*Commissions consultatives paritaires* – CCP) for private-law employees. These CAP and CCP exist at the national and local levels.

Within these Joint Committees, elected officials are called upon to advise on employees' individual circumstances relating in particular to mobility, assessment, disciplinary matters, promotion, etc.

Collective representation

The collective representation bodies for employees include:

- Technical Committees (TC):

The staff representatives within the Technical Committees (TC) review issues such as the organisation and functioning of services, statutory regulations, workforce and skills management, training, skills development and professional qualifications, professional equality, gender equality and combating discrimination. There is a National Technical Committee (*Comité technique national* – CTN) which reviews national issues and projects. This Committee has dedicated expertise, such as information on the social report, but there are also Local Technical Committees (*Comités techniques locaux* – CTL) at each Operational Deconcentration Level (*niveau opérationnel de déconcentration* – NOD) responsible for topics pertaining specifically to that NOD. The direct election of staff representatives to TCs since 2011 confirms the legitimacy and the role of the elected representatives within a context of ongoing and increasingly intense social dialogue and improving labour relations at La Poste.

In accordance with the Decree of 25 February 2016, the Technical Committees currently exercise social control over the occupational health services at La Poste (initially entrusted to NOD CHSCTs);

- Health, Safety and Working Conditions Committees (CHSCT):

the CHSCTs were introduced at La Poste in November 2011 in facilities with 100 employees or more, in accordance with Article 31-3 of law No. 90-568 of 2 July 1990 and Decree No. 2011-619 of 31 May 2011 regarding health and safety at work at La Poste (this legislation applies to all La Poste employees, regardless of whether they are civil servant employees, public contract employees or private-law employees).

The appointment of staff representatives to the CHSCT is based on the representative nature of the last TC elections. Despite the elimination of the CHSCT in the French Labour Code, La Poste has maintained the autonomy of this body.

Social dialogue bodies

In addition to the bodies described above, La Poste has several forums for information, consultation and negotiation:

- La Poste's Social Dialogue Committees (*Commissions de dialogue social de La Poste* – CDS), which are composed of representatives of trade unions at the national or local level (decentralised business unit and operational level). These are bodies in which Management shares information and/or initiates consultation on various projects and matters and where collective agreements are negotiated and signed;
- the Group Strategic Social Dialogue Committee (*Comité de dialogue social stratégique Groupe* – CDSG), created by the agreement of 21 June 2017, which covers La Poste and all of the Group's subsidiaries having their registered office in France. This new body aims to provide trade unions with better information on the Group's economic, social and financial situation and strategy.

Workplace elections

Workplace elections take place every four years: the latest ones were held from 3 to 6 December 2018. At that time, employees elected their representatives to the Technical Committees (TC), Joint Administration Committees (CAP), or Joint Advisory Committees (CCP), both at the local and national levels. The new terms of office began on 1 February 2019 for a four-year period.

The participation rate for the election of representatives to the national Technical Committee in December 2018 was 73.04% (75.63% in 2014). This rate is remarkably high, making La Poste the leading French public body in this regard. It reflects a shared commitment on the part of employees to the smooth running of workplace democracy.

The staff representatives on the TCs are elected by the entire staff of La Poste irrespective of their status, and the representation of the trade unions is based directly on the results of these elections to the TC at the level concerned.

Results of workplace elections

Trade union	2014 professional elections	2018 professional elections	Seats on the 2019 National Technical Committee
CGT	26.54%	24.80%	4
CFDT	22.51%	24.76%	3
SUD	20.17%	18.84%	3
FO	19.97%	18.48%	3
CFTC	3.88%	3.34%	1
CGC	2.91%		
UNSA	2.91%	2.84%	1
CNT	1.10%	0.75%	Not representative
SDP		0.85%	Not representative

Number of days lost due to strikes

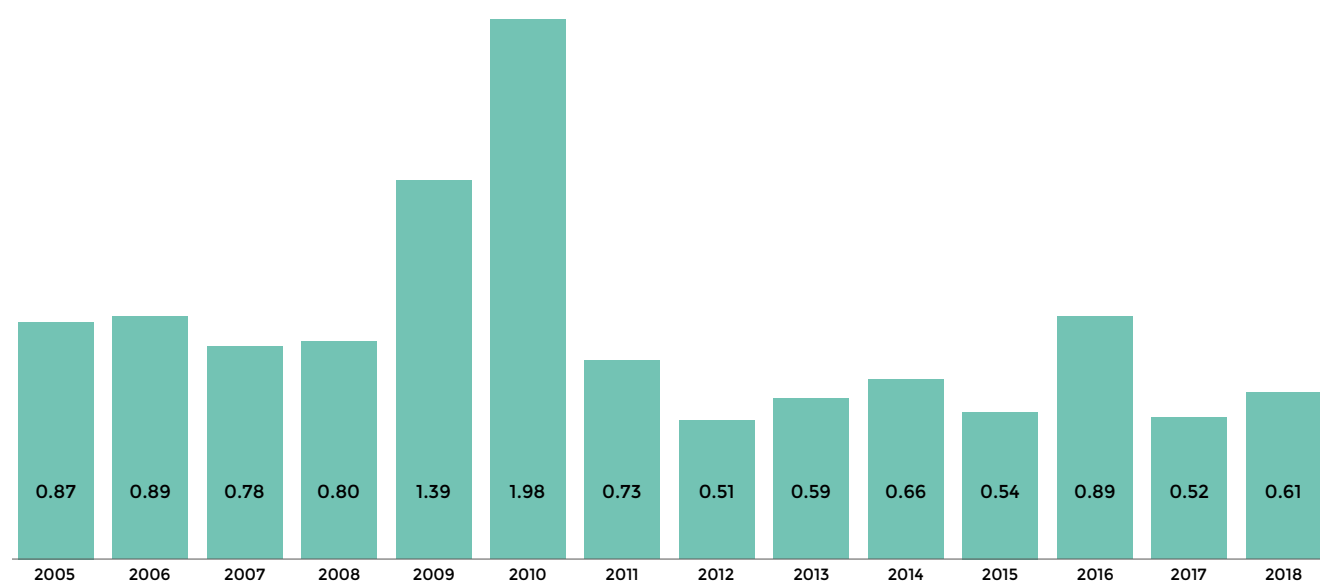
Indicator	Le Groupe La Poste ^(b)		
	2018	2017	2016
Number of days lost due to strikes ^(a)	132,090	115,003	200,775 ^(c)

(a) Number of days lost due to national or local strikes in response to the payroll system (indicator restricted to unpaid strike days).

(b) Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

(c) The higher number of days lost due to strikes in 2016 was due to nationwide strikes against the proposed reform of the French Labour Law. In total, these strikes represented more than 67,000 days. Without them, the 2016 figure would have been 132,875 days.

Number of days lost due to strikes per staff member at La Poste (national and local strikes)



17.8.2.2 Negotiations and agreements

Summary table of agreements signed in 2018

2018 indicator	La Poste	La Banque Postale	Docaposte	GeoPost	Mediapost	La Poste Silver	Poste Immo	Viapost	La Poste Nouveaux Services	Divers
Total number of employee agreements signed (incl. amendments)	13	29	25	7	12	13	2	13	4	4

National agreements and amendments signed in 2018 at La Poste

Following the signature of 12 agreements and amendments in 2017, the following agreements were concluded in 2018:

- agreements containing direct financial measures:

- the payroll agreement for 2018 (signed on 19 March by CFDT and the CFTC/CGC/UNSA union group),
- the La Poste incentive agreement for 2018-2020 (signed on 29 June by CFDT, FO and the CFTC/CGC/UNSA union group),
- the agreement on changes to civil servant salary scales at La Poste for 2018-2021 (signed on 3 October by CGT, CFDT, FO and the CFTC/CGC/UNSA union group),
- the amendment to the agreement on parcel premiums (signed on 17 October by CFDT, FO and the CFTC/CGC/UNSA union group);

- agreements to support business line reorganisations and/or changes:

- the social support system for the creation of the Village La Poste Paris (signed on 20 April by CFDT, FO and the CFTC/CGC/UNSA union group),
- the agreement on the accompanying measures and guarantees for the employees of the Support and Territorial Backup Department (DAST) (signed on 3 May by CFDT, FO and the CFTC/CGC/UNSA union group),

- the "Ensemble Vers Le Monde Des Services – EVMS" (Together towards a service-oriented world) agreement (signed on 14 June by CFDT, FO and the CFTC/CGC/UNSA union group),

- the agreement on social priority offices (signed on 20 June by CFDT, FO and the CFTC/CGC/UNSA union group),

- the agreement on career paths for managers and executives of the Regional Industrial Mail Departments (DRIC) and Mail Processing Centres (CTC) in Corsica and in the French overseas departments (signed on 8 October by CFDT and the CFTC/CGC/UNSA union group),

- the agreement on the specific measures applicable to RCPR0s operating in offices with societal priority (signed on 3 October by the CFDT and FO trade unions);

- agreements containing measures to make life easier for employees:

- the amendment to extend the Equality agreement (signed on 25 June by CGT, CFDT, FO and the CFTC/CGC/UNSA union group),
- the unanimous agreement on teleworking (signed on 27 July by CGT, CFDT, SUD, FO and the CFTC/CGC/UNSA union group),
- the agreement on caregivers (signed on 17 September by CFDT, SUD, FO and the CFTC/CGC/UNSA union group).

Follow-up on commitments made in agreements that were in effect during 2018

All of the agreements indicated above are reviewed at least annually by a monitoring Commission. This Commission discusses, in particular, the implementation of the contractual provisions with the signatory trade unions.

17.8.3 PENSION PLAN

Each member of staff at La Poste is under the common-law plan corresponding to their legal status: civil service pension plan for civil servants, general plan for employees. La Poste does not have its own special plan.

Regarding the civil servant employees' pension funding, law No. 2006-1771 of 30 December 2006 established a full discharge

contribution system for La Poste giving it a full discharge of all liabilities. Under the competitively fair rate principle, the rate of this payment "is calculated in such a way as to equalise the levels of wage-related social security and tax charges between La Poste and other companies under ordinary social security arrangements, applying this principle to risks common to private-law employees and civil servants".

17.8.4 SUPPLEMENTARY SOCIAL SECURITY COVER

An obligatory group supplementary contingency and healthcare cost payment plan has been in place for private-law employees since 2007 via an agreement dated 19 May 2006. A system of contributions for the entire plan offers solidarity to families and the lowest earners.

In the case of civil servants, a healthcare cost repayment scheme has been in operation since 1 January 2012, as part of the opportunity afforded by the law of 9 February 2010 (law No. 2010-123 of 9 February

2010 on the La Poste public sector company and postal business). An agreement was signed on 7 July 2011. This is a mandatory defined contribution Group plan, governed by the general social security law (Article L. 911-1 of the French Social Security Code).

Staff from the subsidiaries are covered by plans specific to each company.

17.8.5 SOCIAL ACTIVITIES

The budget for social activities, which are offered to all La Poste SA⁽¹⁾ employees was €204.1 million in 2018. It covers four main areas:

- the catering offering, which includes cafeterias and cafeteria vouchers (average of 103,503 recipients per day and 47% of the total budget in 2018);
- cultural and leisure activities (18.3% of the total budget in 2018);
- child and youth assistance (20.1% of the total budget in 2018). It takes the form of assistance for day care costs, for stays at summer camps and for academic support;

- mutual aid and social solidarity programmes (6.0% of the total 2018 budget) made up of support for families with disabled children, the severely ill, staff suffering from addiction, blood donors, first-aiders and disabled staff.

La Poste has also developed individual social action services under its Company policy, including holiday vouchers (36,232 requests in 2018), study grants, and pre-paid service cheques (CESU). La Poste has a support package for employees who are family caregivers. It publishes a guide for caregivers and provides a dedicated telephone booth to give them more personalised support and advice.

Breakdown of spending on social activities

(in millions of euros)	2018	%	2017
Catering and economic sector	100.8	49.4	101.9
Of which cafeteria vouchers	42.6	20.9	42.8
Cultural and leisure activities	37.3	18.3	37.8
Child and youth assistance	41.1	20.1	41.3
Mutual aid and social solidarity	12.7	6.2	12.3
Management and structural costs	12.2	6.0	12.2
TOTAL	204.1	100	205.6
Average amount*	1,115	-	1,091

* In euros per FTE on average, La Poste scope.

The social activities are managed by the Advisory and Social Activities Management Council (*Conseil d'orientation et de gestion des activités sociales* – COGAS), which has 24 members comprising Company representatives (eight), unions (eight) and national associations (eight, with two representatives for each of the

four sectors covered). It is chaired by Le Groupe La Poste's HRD. COGAS relies on the National Department of Social Activities to prepare its decisions. The National Department of Social Activities' headquarters is in Gentilly and it has been set up in nine facilities throughout the country.

(1) In 2013, a process began making all of the social assistance that was primarily reserved for permanent staff available also to temporary contract employees with more than three months' service.

17.8.6 HOUSING FOR EMPLOYEES

The policy on housing for employees is an important element in Le Groupe La Poste's social policy. La Poste is the largest contributor towards employers' participation in construction efforts (*Action logement* – Formerly *1% logement*). It implements an active policy under successive agreements negotiated since 2006 and signed with all trade unions. This policy relies on service offerings proposed by Action Logement but also on additional resources and on a long-standing social housing portfolio. The contents of this portfolio are mainly reserved with Poste Habitat Group social housing (*habitation à loyer modéré* – HLM) structures, a structure that combines four HLM companies and accounts for more than 16,500 social housing accommodations that are over 50% occupied by active or retired employees.

Housing offerings (temporary housing, social rentals, access to the mid-range portfolio, home ownership) and related services

(advice, guarantees, home loans, construction loans, financial aid) enable La Poste to offer solutions adapted to employees' needs at every stage of their residential experience, their professional development or their personal life. In 2018, this policy supported more than 11,144 employees; 2,173 of these received help in accessing social rental housing.

In 2017, a fourth agreement on the housing policy was signed for the 2017-2019 period to improve access to housing for as many employees as possible. This new and unanimous agreement renews the housing services and benefits. It also includes assistance to support employees' mobility, a special effort regarding employee housing in French overseas departments, especially for employees nearing retirement, and renewed support for employees encountering situations of temporary difficulty.

17.9 Employee shareholding

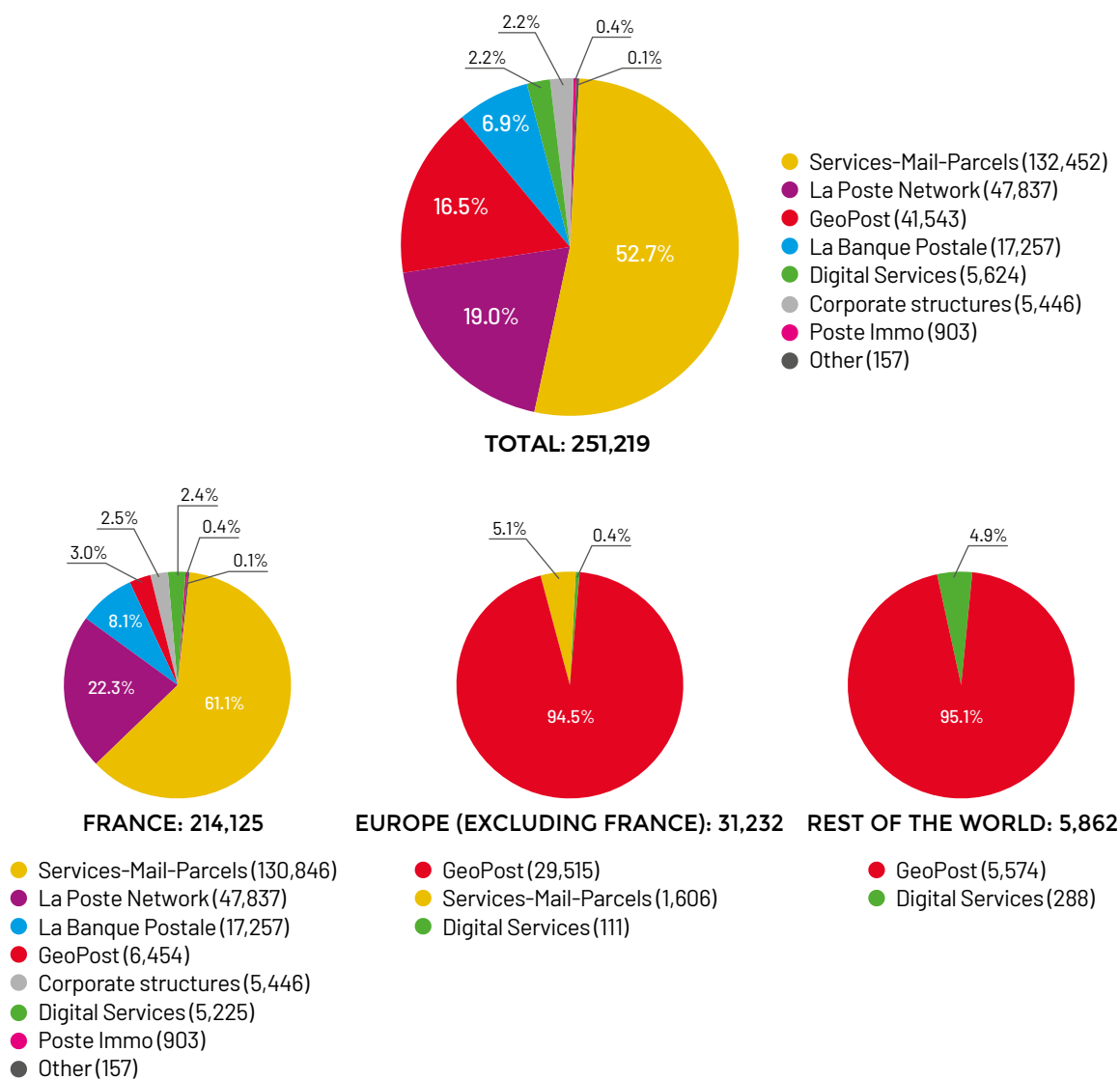
Article 1 of law No. 2010-123 of 9 February 2010 provides that the share capital of La Poste shall be held by the French State and by other public sector legal entities, except for the portion that may be held under employee shareholding arrangements.

This provision of law, which grants the option for a specific employee share ownership, has not been used to date: La Poste does not have employee shareholders.

17.10 Summary of employee information

17.10.1 BREAKDOWN OF HEADCOUNT BY BUSINESS UNIT WORLDWIDE

Number of employees in full-time equivalent (FTE) on average



17.10.2 BREAKDOWN OF GROUP HEADCOUNT IN FRANCE

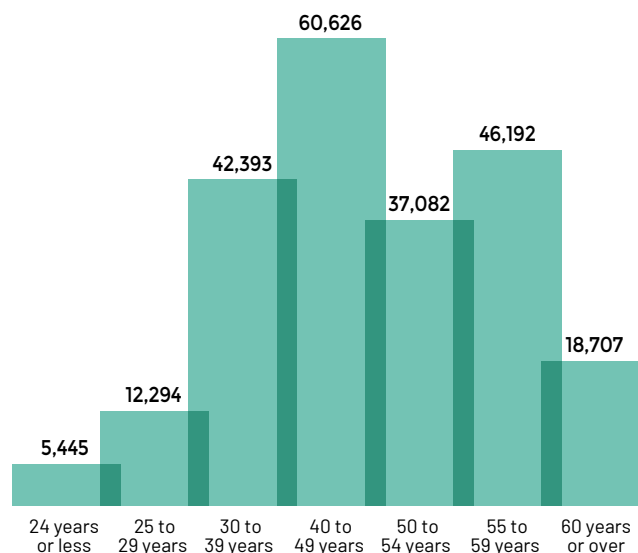
Total individual headcount as at 31 December⁽¹⁾

	2018	2017
La Poste parent company	211,603	214,697
Mediapost	11,091	11,736
GeoPost	6,392	6,111
La Banque Postale	5,039	4,650
Docaposte	4,660	4,425
Viapost	2,580	2,481
La Poste Silver	1,104	1,041
Poste Immo	579	602
La Poste Nouveaux Services	176	-
Other	155	31
TOTAL	243,379	245,774

(1) Civil servants, permanent contracts, temporary contracts, and pro contracts for the La Poste parent company only.

17.10.3 AGE PYRAMID OF GROUP HEADCOUNT IN FRANCE

Number of individual headcount as at 31 December – civil servant employees and private-law employees under permanent contracts



17.10.4 SUMMARY OF GROUP EMPLOYEE INFORMATION IN FRANCE

	2018	2017
Headcount		
Total headcount at 31 December (individuals)	243,379	245,774
Number of civil servants and permanent contract employees	222,772	226,672
Number of temporary contract employees	20,607	19,102
% men	49.0%	48.9%
% women	51.0%	51.1%
Average headcount (full-time employee equivalent per annum)	214,070	218,735
% managers	25.5%	24.8%
% employees	74.5%	75.2%
Breakdown of headcount by age, excluding temporary contracts		
Under 25 years of age	2.4%	2.1%
25-29 years of age	5.5%	5.2%
30-39 years of age	18.8%	18.9%
40-49 years of age	27.0%	27.5%
50-59 years of age	37.0%	38.3%
60 years of age or more	8.3%	8.0%
Part-time employees within permanent contract		
Number	26,645	28,143
% of total permanent headcount	12.0%	12.4%
Number of paid overtime hours	3,642,525	3,398,932
New hires		
Number of new hires under permanent contracts	16,323	14,658
% men	53.8%	55.6%
% women	46.2%	44.4%
Number of new hires aged under 25	4,219	3,692
Definitive departures		
Number of redundancies	2,313	2,067
Professional relations		
Number of national agreements signed, subsidiaries included	122	134
Training		
Number of employees trained at least once	156,845	176,793
Number of training days	700,632	686,923

	2018	2017
Promotion		
Number of promotions	17,791	20,987
Part-time education		
Number of part-time employees under apprenticeship contract	3,040	3,228
Number of part-time employees under a vocational training contract	2,791	4,010
Absenteeism^(a)		
Rate of absence for sickness	6.59%	6.59%
Health and safety conditions		
Frequency of accidents at work with time off	25.05	27.55
Severity of accidents at work with time off	1.47	1.50

(a) Permanent contract and civil servant employees.



PRINCIPAL SHAREHOLDERS

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18.1 Shareholders

The French State and Caisse des Dépôts hold all share capital and voting rights in La Poste.

There are no legal or statutory provisions that provide for the award of different voting rights to shareholders.

Share ownership	2018			2017			2016		
	No. of shares	% capital	% voting rights	No. of shares	% capital	% voting rights	No. of shares	% capital	% voting rights
French State	700,000,000	73.7%	73.7%	700,000,000	73.7%	73.7%	700,000,000	73.7%	73.7%
CDC	250,000,000	26.3%	26.3%	250,000,000	26.3%	26.3%	250,000,000	26.3%	26.3%
TOTAL	950,000,000	100%	100%	950,000,000	100%	100%	950,000,000	100%	100%

18.2 Control of La Poste

Article 1-2 of law No. 90-568 of 2 July 1990 provides that the share capital of La Poste shall be held by the French State, the majority shareholder, and by other public sector legal entities, except for the portion that may be held under employee shareholding arrangements.

The Company does not feel there is any risk of control being exercised improperly.

18.3 Known agreements that could lead to a change of control

On 30 August 2018, the Minister of the Economy and Finance announced a project concerning the strategic equity alliance of La Poste and Caisse des Dépôts with a view to creating a large public financial unit serving territories, through the contribution to La Poste of the CNP Assurances shares held by (i) Caisse des Dépôts and (ii) the French State. This project reaffirms the entirely public nature of the capital of La Poste as well as the public service missions entrusted to it by the French State.

Following this transaction, Caisse des Dépôts will have a majority shareholding in La Poste SA.

Undertaking this transaction would be dependent on the promulgation of the statutes required to conduct the project, completion of the regulatory formalities with the competent administrative authorities, and in compliance with the social dialogue procedures of each of the companies concerned.



RELATED-PARTY TRANSACTIONS

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The related-party transactions are described in Note 35 to the consolidated financial statements, in particular relations with the French State as well as the transactions with CNP Assurances, which constitutes the sole significant entity to be consolidated using the equity method.

19.1 Relations with the French State and public sector companies

19.1.1 RELATIONS WITH THE FRENCH STATE

The French State holds 73.7% of the capital of La Poste.

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

Relations between La Poste and the French State are formalised by means of Public Service Agreements. The latest contract was signed by all the stakeholders on 16 January 2018 and covers the 2018-2022 period. This contract is characterised by:

- public service missions: the universal postal service; press transport and delivery, banking accessibility and regional planning, with the cost offsetting principle being maintained for these last three missions;
- quality of service obligations;
- supporting new expectations on the part of different sections of society whose uses and lifestyles are changing (impacts of digital tools, new technologies and new forms of mobility);
- societal commitments in favour of implementing general interest policies and supporting societal developments (supporting digital

development, development of local services to individuals, in regions and to legal entities, development of banking services for the most vulnerable members of society, actions to favour sustainable and responsible development).

The French Postal Regulation law of 20 May 2005 provided the French Authority for regulation of electronic communications and postal sectors (*Autorité de régulation des communications électroniques et des postes* – Arcep) with the power to regulate pricing for the universal postal service on a multi-year basis, after reviewing La Poste's proposals.

Moreover, the French Postal Regulation law confirms and specifies the regional planning mission entrusted to La Poste (See Chapter 5, Section 5.8).

Regarding the Group's banking activities, the French State sets the commission rates on regulated savings products, *i.e.* Livret A savings accounts, sustainable development savings accounts and popular savings accounts. The change in these rates has a direct impact on La Banque Postale's net banking income.

Furthermore, in March 2012, La Banque Postale, Caisse des Dépôts, Dexia SA and the French State laid the foundations for the new local authority financing system (See Section 19.1.2).

19.1.2 RELATIONS WITH CAISSE DES DÉPÔTS

The French Postal law, as amended by the law of 9 February 2010, specifies that the share capital of La Poste can only be held by the French State, a shareholder of the Group, and by other public law legal entities, with the exception of the minority of the share capital which can be held under employee shareholding arrangements.

Within this context, Caisse des Dépôts, a public body governed by Articles L. 518-2 *et seq.* of the French Monetary and Financial Code, entered La Poste's capital following the Extraordinary General Meeting of 6 April 2011 which decided on the capital increase of La Poste to €2.7 billion. Caisse des Dépôts subscribed to this capital increase for €1.5 billion (see Chapter 21, Section 21.1.7).

As at 31 December 2017, Caisse des Dépôts held 26.3% of the share capital of La Poste. It has three representatives on the Board of Directors and is represented in each of the Board of Directors' Board Committees. It proposes the Chairman of the Audit Committee.

Caisse des Dépôts and La Banque Postale, *via* the Sopassure holding company, are both shareholders of CNP Assurances (See Chapter 5, Section 5.4.2). They are also joint shareholders of La Banque Postale Collectivités Locales and of Caisse française de financement local.

Project for the creation of a large public financial unit serving the territories by means of a strategic equity alliance between La Poste and Caisse des Dépôts

In August 2018, the Minister of the Economy and Finance announced the strategic equity alliance project between La Poste and Caisse des Dépôts. This transaction would provide Le Groupe La Poste with the means to step up its development in the service of its customers, and would strengthen its capacity to perform the public service missions entrusted to it by the French State within the framework of the ongoing Public Service Agreement.

The strategic equity alliance project between La Poste and Caisse des Dépôts would allow joint actions in the public service, covering the following five pillars in France:

- the fight against the territorial divide, with the extension of the system of public service areas for instance;

- the creation of a large public-sector financial group embodying the general interest and meeting the needs of local authorities and businesses;
- urban logistics to accelerate the implementation of last-mile delivery solutions using green modes of transport;
- digital transformation of rural areas to improve the efficiency of public services and fight against digital exclusion;
- services to individuals and the Silver economy to meet the challenges of demographic change and ageing.

The proposal also provides for the strategic equity alliance between La Banque Postale and CNP Assurances. La Banque Postale would combine its life and non-life insurance activities with those of CNP Assurances, while maintaining the latter's open, multi-partnership and international model, with the aim of developing a comprehensive bancassurance model allowing it to pursue its long-term development.

19.1.3 RELATIONS WITH PUBLIC SECTOR COMPANIES

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

19.2 Relations with companies in the scope of consolidation

19.2.1 RELATIONS WITH FULLY CONSOLIDATED GROUP COMPANIES

La Poste has signed framework agreements, support agreements and service contracts (marketing, business process outsourcing, IT services, real estate services, finance, etc.) with some of its subsidiaries. Specifically, La Poste is the main service provider for La Banque Postale, which uses La Poste to run its front-office

(La Poste Network post offices) and back-office (financial centres) operations. La Banque Postale is also La Poste's main banker.

Furthermore, treasury agreements have been implemented between La Poste and most of its subsidiaries (excluding La Banque Postale).

19.2.2 RELATIONS WITH ASSOCIATED COMPANIES

Transactions with associated companies primarily relate to CNP Assurances. La Banque Postale, which currently holds 20.15% of CNP Assurances, has signed a commercial partnership agreement

with CNP Assurances (see Chapter 5, Section 5.4 and Note 35.2 to the consolidated financial statements). This relationship is liable to evolve in view of the proposal mentioned above (Section 19.1.2).



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FINANCIAL INFORMATION REGARDING THE ASSETS AND LIABILITIES, FINANCIAL POSITION AND RESULTS OF THE ISSUER

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20.1 Consolidated financial statements

20.1.1 CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2018

Consolidated income statement

(in € million)	Note	2018	2017
Revenues from commercial activities	6	19,154	18,463
Net banking income	7	5,545	5,647
Operating revenue		24,699	24,110
Purchases and other expenses	8	(10,144)	(9,212)
Personnel expenses	9	(12,769)	(12,840)
Taxes and levies	10	(257)	(258)
Depreciation, amortisation, provisions and impairment	11	(1,197)	(1,160)
Other operating expenses and income	12	412	315
Proceeds from asset disposals		162	49
Net operating expenses		(23,793)	(23,106)
Operating profit/(loss) before share in results of joint ventures		906	1,004
Share in profit of joint ventures	18	(14)	8
Operating profit/(loss) after share in results of joint ventures		892	1,012
Cost of net financial debt		(160)	(154)
Other financial items		(26)	(14)
Financial profit/(loss)	13	(186)	(168)
Profit before tax of consolidated companies		706	844
Income tax	14	(161)	(248)
Share in profits of associates		291	297
CONSOLIDATED NET PROFIT/(LOSS)		837	893
Net profit/(loss), Group share		798	851
Attributable to non-controlling interests		39	42

Consolidated comprehensive income statement

Amounts after tax

(in € million)	Note	2018	2017
Consolidated net profit/(loss)		837	893
Other comprehensive income recognised in equity		-	-
Recyclable items			
Change in unrealised gains and losses on financial instruments	14.2	(358)	(62)
Reclassification under net income		(198)	(65)
Translation adjustments	14.2	(26)	(28)
Reclassification under net income		-	-
Impact of the overlay approach	3	(10)	-
Share in other comprehensive income of associates and joint ventures	18.1	(259)	1
Of which			
• change in unrealised gains and losses on financial instruments – CNP		(219)	56
• other unrealised gains and losses on financial instruments		-	1
• cumulative translation adjustments		(40)	(56)
Non-recyclable items			
Actuarial adjustments on employee benefits	29	18	74
Change in credit risk of liabilities designated as at fair value through profit or loss	27.3	(5)	(8)
Total other comprehensive income recognised in equity (after tax)		(639)	(21)
Total comprehensive income/(loss)		198	871
TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE		159	827
Total comprehensive income/(loss) attributable to non-controlling interests		39	44

Consolidated balance sheet

Assets

(in € million)	Note	31/12/2018	31/12/2017
Goodwill	15	2,478	2,332
Intangible assets	16	1,359	1,102
Property, plant and equipment	17	5,989	5,771
Investments in joint ventures and associates	18	3,982	4,098
Other non-current financial assets	19	500	599
Deferred tax assets	14	412	192
Non-current assets		14,721	14,092
Current banking assets		-	-
Customer loans and receivables	20.1	95,671	88,048
Credit institutions loans and receivables	20.2	87,352	84,088
Securities portfolio	20.3	51,052	46,953
Other current financial assets	20.4	1,608	1,493
Accrual accounts	20.5	1,513	1,815
Cash and central bank deposits	23.2	2,007	3,325
Other current assets		-	-
Inventories and work-in-progress	21	132	121
Trade and other accounts receivable	22	4,156	3,930
Other current financial assets	19	532	712
Income tax credit		368	212
Other accrual accounts – Assets		95	84
Cash and cash equivalents	23.1	2,286	1,735
Assets held for sale	24	17	55
Current assets		246,788	232,570
TOTAL ASSETS		261,509	246,662

Liabilities

(in € million)	Note	31/12/2018	31/12/2017
Share capital		3,800	3,800
Issue premium		900	900
Reserves		5,432	4,790
Unrealised gains and losses on financial instruments		590	1,207
Translation reserve		(250)	(184)
Undated hybrid subordinated notes	1.1	744	-
Net profit/(loss), Group share		798	851
Equity, Group share		12,014	11,364
Non-controlling interests		197	169
Consolidated equity		12,210	11,534
Medium and long-term bonds and other financial debt	27.1	5,004	5,313
Employee benefits – non-current liabilities	29	2,388	2,463
Non-current provisions for contingencies and losses	26.2	124	207
Deferred tax liabilities	14	188	188
Non-current liabilities		7,703	8,171
Current provisions for contingencies and losses		-	-
Specific provisions for the Banking and Insurance activities	26.1	2,732	2,669
Current provisions for contingencies and losses	26.2	491	459
Short-term bonds and other financial debt	27.1	1,225	984
Current banking liabilities		-	-
Liabilities due to credit institutions	30.1	18,877	14,154
Liabilities to customers	30.2	185,802	182,556
Debt evidenced by a certificate and other financial liabilities	30.3	23,759	17,875
Accrual accounts – Liabilities	20.5	2,360	2,099
Other current liabilities		-	-
Trade and other payables	31	5,432	5,154
Government – Income tax		49	42
Employee benefits – current liabilities	29	679	743
Other accrual accounts – Liabilities		189	222
Current liabilities		241,596	226,958
TOTAL LIABILITIES		261,509	246,662

Changes in consolidated equity 2018

Amounts after tax

(in € million)	Share capital	Issue premium	Unallocated profit/(loss)	Translation reserve	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Undated hybrid subordinated notes ^(b)	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2017	3,800	900	851	(184)	823	384	-	4,790	11,364	169	11,534
First-time application of IFRS 9 ^(a)	-	-	-	-	-	(26)	-	(118)	(144)	1	(143)
Consolidated equity as at 01/01/2018	3,800	900	851	(184)	823	358	-	4,672	11,220	170	11,391
Dividend payments	-	-	(171)	-	-	-	-	-	(171)	(3)	(174)
Call options on non-controlling interests	-	-	-	-	-	-	-	55	55	(8)	47
Transactions with non-controlling interests	-	-	-	-	-	-	-	3	3	(3)	1
Appropriation of 2017 net profit/(loss)	-	-	(680)	-	-	-	-	680	-	-	-
Issue of undated hybrid subordinated notes ^(b)	-	-	-	-	-	-	744	-	744	-	744
Comprehensive income for the year	-	-	798	(66)	(219)	(372)	-	18	160	39	198
Of which:											
• Net profit	-	-	798	-	-	-	-	-	798	39	837
• Actuarial adjustments	-	-	-	-	-	-	-	18	18	-	18
• Other comprehensive income items	-	-	-	(66)	(219)	(372)	-	-	(657)	-	(657)
Other	-	-	-	-	-	-	-	3	3	1	4
CONSOLIDATED EQUITY AS AT 31/12/2018	3,800	900	798	(250)	604	(14)	744	5,432	12,014	197	12,210

(a) Impacts of the first-time adoption of IFRS 9 (see Note 3).

(b) The nominal amount of the issue is €750 million, of which the issue premium has been deducted (see Note 1.1).

Changes in consolidated equity 2017

Amounts after tax

(in € million)	Share capital	Issue premium	Unallocated profit/(loss)	Translation reserve	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2016	3,800	900	849	(101)	767	456	4,247	10,917	115	11,033
Dividend payments	-	-	(171)	-	-	-	-	(171)	(14)	(185)
Call options on non-controlling interests	-	-	-	-	-	-	(206)	(206)	(59)	(265)
Transactions with non-controlling interests	-	-	-	-	-	-	(1)	(1)	(20)	(21)
Appropriation of 2016 net profit/(loss)	-	-	(678)	-	-	-	678	-	-	-
Comprehensive income for the year	-	-	851	(84)	56	(71)	74	827	44	871
Of which:										
• Net profit	-	-	851	-	-	-	-	851	42	893
• Actuarial adjustments	-	-	-	-	-	-	74	74	-	74
• Other comprehensive income items	-	-	-	(84)	56	(71)	-	(99)	3	(96)
Other	-	-	-	-	-	-	(2)	(2)	103	101
CONSOLIDATED EQUITY AS AT 31/12/2017	3,800	900	851	(184)	823	384	4,790	11,364	169	11,534

Consolidated cash flow statement

(in € million)	Note	2018			2017		
		Group	Non-banking activities	La Banque Postale	Group	Non-banking activities	La Banque Postale
EBITDA		1,785	605	1,181	2,375	1,103	1,272
Change in provisions for current assets and irrecoverable receivables		(204)	(20)	(184)	(197)	(15)	(182)
Miscellaneous financial income and expenses		(2)	(2)	-	(1)	(1)	-
Cash flows from operating activities before cost of net debt and taxes	39.1	1,579	582	997	2,176	1,087	1,090
Change in working capital requirement	39.3	(397)	(122)	(276)	145	83	62
CICE tax credit for the period (excluding provisions)		(320)	(317)	(3)	(391)	(388)	(3)
Change in balance of banking resources and uses	39.4	3,937	-	3,937	804	-	804
Taxes paid		(94)	99	(192)	34	122	(88)
Monetisation of CICE tax credit		-	298	(298)	201	533	(332)
Dividends paid by La Banque Postale to La Poste		-	408	(408)	-	376	(376)
Dividends received from equity associates		137	14	123	128	13	114
Cash flows from operating activities		4,842	962	3,880	3,097	1,827	1,271
Purchase of property, plant and equipment and intangible assets	39.5	(1,493)	(1,162)	(331)	(1,352)	(1,075)	(278)
Purchase of financial assets		(81)	(79)	(2)	(123)	(57)	(65)
Proceeds from the disposal of property, plant and equipment and intangible assets		335	335	-	298	298	-
Proceeds from disposals of financial assets		34	28	6	10	10	-
Impact of changes in consolidation scope		(27)	(27)	-	(677)	(677)	-
Change in financial assets held for cash investment purposes		220	220	-	(200)	(200)	-
Cash flows from investing activities		(1,010)	(684)	(327)	(2,044)	(1,701)	(343)
Capital increase		9	-	9	30	-	30
Issue of undated hybrid subordinated notes		744	744	-	-	-	-
Dividends paid		(174)	(173)	(1)	(186)	(173)	(12)
Purchase of non-controlling interests		(26)	(23)	(3)	(21)	(21)	-
Interest paid		(156)	(156)	-	(162)	(162)	-
Proceeds from new borrowings	39.6	890	890	-	410	260	150
Repayment of borrowings	39.7	(924)	(924)	-	(747)	(747)	-
Other cash flows from financing activities	39.8	(67)	(67)	-	(107)	(107)	-
Intra-group flows		-	(17)	17	-	408	(408)
Cash flows from financing activities		297	275	22	(782)	(541)	(241)
Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope	39.9	(3,575)	-	(3,575)	(687)	-	(687)
Impact of changes in exchange rates		(3)	(3)	-	(1)	(1)	-
Change in cash and cash equivalents		550	550	-	(416)	(416)	-
Opening cash and cash equivalents		1,735	1,735	-	2,152	2,152	-
Closing cash and cash equivalents		2,286	2,286	-	1,735	1,735	-

Notes to the consolidated financial statements

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GENERAL ITEMS

NOTE 1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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1.1 Hybrid subordinated notes issue

In April 2018, Le Groupe La Poste carried out a public €750 million hybrid securities issue denominated in euros. The securities issued are undated and have an initial call date of 29 January 2026. According to IAS 32 standard, they were recorded in consolidated equity (see changes in consolidated equity).

The purpose of this operation is to strengthen La Poste's balance sheet, support its rating and help the Group to finance its development.

1.2 First-time application of IFRS 9

IFRS 9, adopted by the European Union on 22 November 2016, became mandatory on 1 January 2018. The impacts of this standard as at this date are detailed in Note 3 and can be seen in particular in a decrease in consolidated equity, Group share of €144 million.

1.3 Bonds

On 30 November 2018, Le Groupe La Poste carried out a €500 million green bond issue with a 10-year maturity and a 1.45% interest rate.

1.4 Exceptional purchasing power bonus

Following the declarations of the French President of the Republic, and under French law no. 2018-1213 of 24 December 2018 relating to emergency economic and social measures, Le Groupe La Poste decided to grant its employees an exceptional bonus.

This exceptional bonus amounts to €300 for employees with an annual gross salary up to 1.5 times the minimum salary, and €200 for employees with an annual gross salary between 1.5 and 3 times the minimum salary. These bonuses have been paid at the beginning of the year 2019, and an amount of €50 million has been accrued in the Group accounts in this respect.

1.5 Sanction decision from the ACPR

The ACPR Sanctions Commission has issued a reprimand and a financial penalty of €50 million against La Banque Postale further to the report on measures to combat money laundering and the financing of terrorism (LCB-FT). A provision for risks has been set up for this purpose (see Note 26).

Considering this sanction to be particularly harsh regarding the alleged facts used in evidence, La Banque Postale has decided to appeal against this decision with the Conseil d'État.

1.6 Changes in the consolidation scope

The main changes in the consolidation scope are presented in Note 4.

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

The consolidated financial statements of Le Groupe La Poste for the year ended 31 December 2018 were signed off by the Board of Directors (meeting on 21 February 2019), and the General Shareholders' Meeting will be asked to approve them.

2.1 Accounting guidelines

Pursuant to European Regulation No. 1606/2002 of 19 July 2002, the consolidated financial statements of Le Groupe La Poste for the year ended 31 December 2018 were prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union. These standards are available on the website of the European Commission (ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The accounting principles applied as at 31 December 2018 are unchanged from those applied as at 31 December 2017, except for the items described in Point 2.1.1 below.

2.1.1 Standards and application interpretations that are mandatory for the first time in 2018

IFRS 9

IFRS 9 – Financial instruments was adopted on 22 November 2016 by the European Union and is mandatory from 1 January 2018.

IFRS 9 – Financial instruments replaces IAS 39 – Financial instruments: Recognition and measurement. It defines new rules for the classification and measurement of financial instruments, a new financial asset impairment methodology and introduces a reformed hedge accounting model.

The impacts of this standard mainly concern La Banque Postale business unit. They are not significant for the Group's other business units.

The primary changes introduced by this standard for the Group's banking activities are described in Note 3.

IFRS 15

The impacts of IFRS 15 – Revenue from Contracts with Customers, on the Group's financial statements are not significant.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

The application of these amendments did not have any impact on the Group's consolidated accounts as at 31 December 2018.

Amendments to IAS 40 – Transfers of Investment Property

The application of these amendments did not have any impact on the Group's consolidated accounts as at 31 December 2018.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The application of this interpretation did not have any impact on the Group's consolidated accounts as at 31 December 2018.

2.1.2 Standards and application interpretations that are mandatory for the first time after 31 December 2018

The Group did not apply any accounting standard early as at 31 December 2018.

IFRS 16

IFRS 16 Leases will be applied on 1 January 2019 using the modified retrospective approach and consequently:

- a lease liability equal to the discounted value of lease payments not yet paid will be recognised under liabilities;
- the right-of-use asset, depreciated over the term of the lease, will be recognised under assets.

With regard to the right-of-use assets covered by the majority of its leases, the Group has chosen to apply, for the transition on 1 January 2019, the provision which allows for the calculation of the book value of the right-of-use asset as if this standard had been applied on the date of entry into force of the lease, taking account of known changes to the lease since its signing.

The difference between the value of lease liabilities and the net value of right-of-use assets on the date of first application will be recorded as equity.

For the transition, the Group has decided to apply the simplified measurements provided by the standard, namely:

- the exclusion of leases for low-value assets;
- the exclusion of leases with a remaining term of less than 12 months;
- the option not to capitalise costs directly linked to the signing of leases;
- as an alternative to performing an impairment test, the right-of-use asset will be adjusted by the amount of any provisions for onerous leases.

In addition, as stipulated by the standard, the finance leases will be recognized as provided for by IAS 17.

Terms of leases are determined on the basis of an analysis of termination options before the lease term and renewal options that can exist.

Discount rates are determined on the transition date, in accordance with the standard and in reference to the incremental borrowing rate of the lessee for each term.

- rates are determined on the basis of the risk-free rate for the currency of the lease, on the Group's credit risk and on the estimated additional credit risk for subsidiaries;
- on the transition date, the Group uses the term of each lease as at the date of its entry into force so as to ensure consistency with the method used to determine the book value of the aforementioned right-of-use asset.

The Group has developed and implemented a dedicated IT system used to collect contractual data and to perform the calculations required by the standard. This system is accessible by all Group entities.

An inventory of leases and their characteristics was carried out in 2017 and 2018. Audits are currently under way to reinforce this data and the main assumptions used.

The number of contracts thus listed is close to 11,000. The majority of the rights of use relates to operational or administrative buildings.

The additional lease liability generated by IFRS 16 should fall within the range of €2.4 to €2.7 billion at 1 January 2019, compared with lease commitments amounting to €2.7 billion (see Note 37.1).

The standard does not allow for the restatement of comparative years under the modified retrospective transition approach. However, the Group has prepared 2018 restated data comparable with its 2019 consolidated financial statements for the purposes of its financial communication.

The impact of the application of IFRS 16 on operating profit/(loss) and net profit/(loss) is not expected to be significant. The cash flow statement will show a significant improvement in EBITDA, mainly offset by the repayment of the lease liability and the payment of interest.

IFRIC 23

The Group does not expect any significant impact of this interpretation, which will be mandatory in 2019.

2.2 Valuation basis and use of estimates

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

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

The items primarily concerned are:

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

2.3 Consolidation methods

2.3.1 Full consolidation

Subsidiaries that are controlled by the Group are fully consolidated.

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

2.3.2 Equity method

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

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

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

Associates are entities over which the Group has significant influence.

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

Shares accounted for under the equity method are recorded in the balance sheet under "Investments in joint ventures and associates" at their historical cost adjusted for the share of net assets earned subsequent to the acquisition, less impairment.

Their profits or losses are presented in the consolidated income statement under "Share in profits of joint ventures and associates".

2.3.3 CNP Assurances

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

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

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

2.3.4 Non-material controlled entities

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

2.3.5 Intra-group transactions

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

2.3.6 Acquisition and disposal of non-controlling interests

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

2.4 Translation of financial statements of foreign companies

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

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

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

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

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

2.5 Foreign currency transactions

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

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

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

2.6 Consolidation of the La Banque Postale segment

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

Comments on the principles applied are presented in the Notes 2.8 – Operating revenue and 2.14 – Banking activities assets and liabilities.

2.7 Business combinations

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

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

Goodwill represents the excess of the cost of the business combination over the Group's share in the fair value of the assets, liabilities and contingent liabilities of the acquired company.

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

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

2.8 Operating revenue

2.8.1 Revenue from commercial activities

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

As a result, the time taken for shipping of mail and parcels is taken into consideration when assessing revenue at the balance-sheet date.

2.8.2 Net banking income

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

2.9 Taxes

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

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

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

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

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

The income tax consequences of dividends relating to financial instruments recorded in equity are recognised in profit or loss.

2.10 Intangible assets

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

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

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

Research and development costs

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

Development costs are recorded as intangible assets, provided they meet the criteria set out in IAS 38. They are amortised on a straight-line basis over their useful life (on average 3 years, and up to 5 years maximum) from the day they are commissioned.

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

2.11 Property, plant and equipment

Property, plant and equipment consists primarily of land, buildings, plants, tools, equipment and computer hardware. They are recorded at cost less depreciation and impairment.

2.11.1 Acquisition cost of property, plant and equipment

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

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

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

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

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

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

Le Groupe La Poste has identified the following components:

Non-current assets	Components
Real Estate portfolio	Structural frame, roof, joinery and external works, large equipment items, small equipment items, fixtures and fittings, and land
Sorting machines	Mechanical parts, intelligence, peripherals A fourth component (feeders and measuring instruments) has been identified for parcel sorting machines
Sorting-area equipment	Mechanical parts, intelligence
Automated teller machines	Machine, installation

2.11.3 Depreciation periods

Property, plant and equipment is depreciated on a straight-line basis over its useful life. The average useful lives are as follows:

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

Land is not depreciated.

2.11.4 Finance leases

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

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

2.12 Impairment of goodwill, intangible assets and property, plant and equipment

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

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

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

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

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

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

2.13 Other financial assets

2.13.1 Other non-current financial assets

This item primarily includes:

- loans granted for local authority housing, recorded at their amortised cost under the effective interest rate method.

Provisions are recorded so as to take the maturities and repayment terms of these loans into account, as well as the estimated risk of non-recovery;

- unconsolidated investments. IFRS 9 offers an irrevocable option to classify them at fair value through non-recyclable equity, at each instrument's first recognition date. In this case, the unrealised gains or losses through equity are not recycled to profit or loss if they are sold. The income statement will only be impacted if there are any dividends related to these securities. The Group has chosen to classify its unconsolidated equity investments in this category, with the exception of the Visa securities.

In the event that no active market exists, and where the fair value cannot be reliably determined using alternative measurement methods, they are retained on the balance sheet at cost;

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

2.13.2 Other current financial assets

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

2.14 Banking activities assets and liabilities

2.14.1 General accounting principles for financial assets and liabilities

Initial recognition

For their initial recognition, financial assets and liabilities are measured at their fair value plus or minus the transaction costs directly attributable to the acquisition (with the exception of financial assets and liabilities recognised at fair value through profit or loss for which the transaction costs are recognised in income or expenses at the time of their initial recognition).

In practice, the fair value is most often the sale or transaction price of the financial instrument.

Date of initial recognition

Securities are recorded in the balance sheet at the settlement-delivery date whilst derivatives are recorded at the trading date. Changes in fair value between the trading date and the settlement-delivery date are recorded in profit or loss.

Loans and receivables are recorded in the balance sheet at the disbursement date.

Distinction between debt instruments and equity instruments

A debt instrument constitutes a contractual obligation to pay out cash or some other financial asset, or to exchange instruments.

An equity instrument is a contract that evidences a residual interest in an entity's net assets, without a contractual obligation to pay out cash or exchange instruments.

2.14.2 Recognition of financial assets

According to IFRS 9, financial assets are classified according to the entity's defined accounting business model and contractual cash flow characteristics ("basic loan" criterion).

Business models

An accounting business model corresponds to the way in which a group of financial assets is collectively managed to generate revenue. Its aim is to best reflect the management practices for the assets concerned. It is identified within the Group from the objective facts that may be observed such as the analysis of the business line organisation, its information systems, its internal reports, its risk-monitoring method, or its past management decisions (for example, disposal history).

There are three types of business model:

- a model which consists of holding financial assets to collect their contractual cash flows ("hold to collect" model);
- a model which consists of collecting the contractual cash flows and selling the financial assets ("Collect and Sell" model);
- a specific model for other financial assets, notably those managed for transaction purposes.

The identification of a business model is supported by documentation within each Group business line.

By definition, it is very rare to change business models. Changes in business models must be decided by the business management team in agreement with the General Management in view of the internal and external changes that are significant for the business and observable by external parties. Thus, a change in business model may only correspond to the termination or launch of a significant activity. For example, it might concern the sale of a business line previously managed according to the "Hold and Collect" model: in this case, the entity no longer markets this type of financial instrument and reclassifies all the concerned assets in a "Transaction" type business model.

The reclassification of debt instruments that meet the "SPPI" test is mandatory if the business model changes and prohibited in all other cases.

This reclassification must be carried out on a prospective basis, without restating the balance sheet or income statement for previous periods.

Moreover, the reclassification must take place at the opening date of the first financial year starting after the effective date of the change in business model.

"Basic loan" criterion or "SPPI" test

The SPPI criterion aims to ensure that the contractual cash flows generated by the instrument are solely made up of principal

repayment flows and interest payments on the remaining principal owed. In other words, the instrument must be a "basic loan".

The principal is defined as the fair value of the financial instrument at the time of its initial recognition in the balance sheet.

Interest may include several components, including:

- compensation received in respect of passing time or "the time value of the money";
- compensation for the credit risk incurred on the loaned amount;
- compensation to offset the liquidity or administrative costs, and;
- the sales margin.

Financial assets that meet the "basic loan" criterion are debt instruments that notably include classical loans, fixed rate and floating rate bonds and trade receivables.

Financial assets that do not meet the "basic loan" criterion notably include debt instruments such as UCITS and structured securities.

Derivative instruments and share-based or unconsolidated equity investments by definition do not comply with the "basic loan" criterion.

According to IFRS 9, financial assets are classified into one of the following four categories.

2.14.3 Financial assets measured at amortised cost

Debt instruments whose contractual flows are solely made up of payments of principal and interest on the remaining principal owed ("basic loan" or "SPPI" test criterion) are classified under amortised cost if the aim of the business model is to hold these financial assets to collect the contractual cash flows.

The aim of the "Hold to Collect" contractual flow model is to hold assets over a long period or up to maturity to collect the contractual flows. In this business model, few or no disposals take place. Some disposals are authorised (disposals carried out as part of an increase in credit risk, disposals close to the instrument's maturity date, frequent but insignificant disposals as well as isolated disposals even if these are significant).

Following their initial recognition, financial assets at amortised cost are recognised under the effective interest rate method and can be subject to impairment in accordance with IFRS 9.

The effective interest rate is the exact interest rate that discounts the future cash flows forecast over the expected lifetime of a financial asset to the financial asset's initial fair value. It includes the transaction costs and incidental revenue (administrative fees, commitment commissions if the drawdown is more probable

than improbable or investment commissions) as well as all other premiums or discounts. It is an actuarial rate.

Within the Group, this financial asset category includes most of its large customer loans and receivables, as well as most securities that come under banking activity investments.

2.14.4 Financial assets measured at fair value through recyclable equity

Debt instruments whose contractual flows are solely made up of payments of principal and interest on the remaining principal owed ("basic loan" or "SPPI" test criterion) are classified at fair value through recyclable equity if the aim of the business model is to hold these financial assets to collect the contractual cash flows and sell the assets.

These assets are recognised at their fair value at their initial recognition in the balance sheet and can be subject to impairment in accordance with IFRS 9.

This category of financial instruments has the specific feature of being measured at fair value in the balance sheet, but presenting the impacts of a valuation at amortised cost in the income statement. Changes in fair value are recorded in recyclable reserves which ensure the balance between the two accounting methods in the balance sheet and income statement.

This is notably the case for the recognition of impairment. The book value of the asset remains the fair value and is not impacted by the amount of impairment calculated. The income statement is impacted by any change upwards (expense) or downwards (income) in the amount of impairment. The counterparty to these movements is recorded in recyclable reserves.

When these securities are sold, unrealised gains or losses previously recorded in equity are recycled to the income statement under "Net gains and losses on financial assets at fair value through recyclable equity".

2.14.5 Financial assets at fair value through non-recyclable reserves

For investments in equity instruments that are not held for trading, IFRS 9 offers an irrevocable option to classify them at fair value through non-recyclable equity, at each instrument's first recognition date.

In this case, the unrealised gains or losses through equity are not recycled to profit or loss if they are sold. The income statement will only be impacted if there are any dividends related to these securities. The Group has chosen to classify its unconsolidated equity investments in this category, with the exception of the Visa securities.

Moreover, in the event of disposal, the Group has chosen to reclassify in reserves as at 1 January of the following financial year, the portion of non-recyclable reserves corresponding to any recorded gains or losses on disposal.

2.14.6 Financial assets at fair value through profit or loss

The "Financial assets at fair value through profit or loss" category is the default category under IFRS 9.

It includes debt securities that do not correspond to "basic loan" criteria (for example, UCITS), as well as investments in equity instruments that are not classified in the Financial assets at fair value through non-recyclable equity category.

This category also includes financial assets, including asset derivatives held for trading, i.e. acquired or issued with the aim of selling them within a short timescale. Within the Group, they notably include loans to local authorities eligible for assignment to Caffil.

Changes in the fair value of the financial assets in this category are recorded in the income statement.

2.14.7 Impairment of financial assets

The new provisioning methodology defined by IFRS 9 has now shifted toward an expected credit loss impairment model and away from an incurred loss only model.

IFRS 9 defines a provisioning model that applies to all financial assets with a counterparty risk (excluding equity instruments) not revalued at fair value through profit or loss, and notably to all financial assets measured at amortised cost and fair value through recyclable reserves. This model also applies to loan receivables, loan commitments and financial guarantees.

Accordingly, impairments representing "one-year expected credit losses" are accounted for as assets recognised at amortised cost and fair value through recyclable reserves as soon as they are recorded in the balance sheet, as long as they do not significantly increase credit risk. "One-year expected credit losses" correspond to the total losses incurred in the event of default, weighted by the probability of default at one year. These outstandings come under "Bucket 1".

Outstandings for which a significant deterioration in credit quality has been identified since the date they were first recognised are subject to impairment for the amount of the "expected credit loss over the remaining life of the instrument". "Expected credit loss over the remaining life of the instrument" corresponds to the total losses incurred in the event of default, weighted by the probability of default over the expected life of the instrument. These outstandings come under "Bucket 2".

Financial assets which are in a default situation are downgraded to "Bucket 3" and are subject to impairment for the amount of the estimated credit loss on completion.

Significant increase in credit risk

An increase in credit risk is a relative, and not absolute, concept. This relative approach involves, therefore, being able to monitor the change in credit quality over time.

The Group relies on a certain number of indicators (the main ones are described in Note 33) to detect any deteriorations in the credit quality of a counterparty.

Bucket 1 and bucket 2 provisioning methodology

Expected credit losses correspond to the difference between the cash flows that the entity is entitled to receive under the contractual provisions, and the cash flows that the entity expects to recover, discounted using the effective interest rate for the financial asset.

The cash flows that the entity is entitled to receive take into account all the contractual terms and conditions for the financial instrument over its expected lifetime (for example, early redemption options, extension, etc.), and include the cash flows from the exercise of contractual guarantees.

Expected credit losses are estimated according to the probability of counterparty default. The probability of default corresponds to the probability that the debtor defaults within a given time period.

For "Bucket 1", the time period is annual. For "Bucket 2", the time period is the instrument's lifetime.

Within the Group, impairment on loans is statistical (by homogeneous categories with similar risk characteristics), with the option of adjustment by an expert in certain cases, particularly for loans granted to legal entities.

In accordance with the provisions of IFRS 9, expected credit losses are calculated according to a methodology which includes reasonable and justifiable information on past events, current circumstances and forecasts of the economic environment (the "Forward looking" concept).

The "forward-looking" component is obtained using a modelled three-scenario approach. The final impairment corresponds to the average weighted by the probability of each scenario occurring.

Defaulting loans coming under "bucket 3"

IFRS 9 does not impose a definition of default. On the contrary, it encourages the selection of a definition consistent with that selected by the entity as part of its risk management policy. Within the Group, an individually identified financial asset is considered as being in default when it shows a credit event that indicates financial difficulties.

The Group considers the following as objective evidence of default:

- the existence of one or several payments in arrears of over three months;
- an application for a debt management plan has been filed with the Banque de France, even if there are no payment issues;

- the existence of legal proceedings;

- receivables considered to be "very risky" in view of its risk management policy.

Scope of home loans

Outstandings in default are weighted by the parameter of "best estimate of the expected loss on the exposure in default" adjusted to account for certain elements (notably the removal of the overweights taken into account in the risk monitoring analysis such as the impact of an economic slowdown, for example). This parameter is calculated according to the duration of the default and the type of guarantee.

If the impaired home loans are reappraised, the provisions may be entirely or partially reversed and the receivables removed from "Bucket 3", when the entire amount in arrears is paid and when payments have resumed on a regular basis for the amounts corresponding to the contractual deadlines for at least two months.

Scope of leasing and loans to legal entities

For this scope, the specific provisioning of outstandings is monitored on a monthly basis and adjusted by expert appraisal if applicable. An impairment is then recognised, based on the difference between the book value and the expected flows discounted at the original effective interest rate, which are determined by taking account of the debtor's financial position and the present value of any guarantees received. Removal from "Bucket 3" may be effective after a probationary period corresponding to a period without credit incidents.

For all these scopes, the amount of impairment is recognised in "Cost of risk" in the income statement and the value of the financial asset is reduced through an impairment.

In accordance with the contagion principle, all outstandings to the same account holder are provisioned as soon as one receivable for this account holder is impaired within the Group.

Restructuring operations

Restructured receivables are receivables for which the entity has modified the original financial conditions due to the borrower's financial difficulties.

Restructuring is defined according to two main criteria:

- concessions by the institution;
- financial difficulties for the borrower.

The discounted rate recognised when a receivable is restructured is recorded in cost of risk and as a corresponding reduction in outstandings in the balance sheet. It corresponds to the difference between the nominal value of the receivable before restructuring and the value of the new expected future flows discounted at the original effective interest rate. The discount is recorded in the income statement in the interest margin according to an actuarial method over the duration of the loan.

Any cancellation of capital is directly recognised in profit or loss.

2.14.8 Deconsolidation of financial assets

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

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

Within the Group, most loan renegotiations result in deconsolidation, as the contractual rights are substantially modified.

Repurchase agreements

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

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

Securities lending transactions

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

2.14.9 Financial debt

General principle for classifying financial debt

By default, all financial liabilities are classified in the amortised cost category.

At the closing date, these debts are assessed using the effective interest rate method and recorded in the balance sheet as "Liabilities to credit institutions", "Liabilities to customers", "Debts evidenced by a certificate" or "Subordinated debt" unless they are subject to fair value hedging.

Liabilities to credit institutions and customers

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

Debt evidenced by a certificate

Debt securities consist of negotiable debt securities issued by La Banque Postale.

Subordinated debt

Subordinated debt includes debt for which the repayment, in the event of liquidation of the debtor, is only possible after the claims of other preferred or unsecured creditors have been met. This debt is valued using the amortised cost method, unless it is subject to fair value hedging.

Financial liabilities at fair value through profit or loss

Financial liabilities recognised in this category correspond to the financial liabilities held for trading, including derivative liabilities, as well as liabilities that the Group designated from the start to be assessed at fair value through profit or loss by application of the option offered by IFRS 9, subject to compliance with the following conditions:

- elimination or significant reduction in accounting mismatches. The Group thus measures some structured issues at fair value through profit or loss;
- group of financial liabilities whose management and performance assessment take place at fair value;
- compound financial liabilities comprising one or several embedded derivatives that are not closely related.

The accounting treatment for financial liabilities for which this option has been exercised is as follows:

- changes in the fair value of these liabilities are recognised in profit or loss, with the exception of the portion relating to the Group's own credit risk;
- changes in the fair value relating to the Group's own credit risk component are recognised in non-recyclable reserves. This portion may not be recycled in profit or loss if the debt is redeemed early.

Distinction between debt and equity: Undated deeply subordinated notes

Subordinated notes are classified as debt instruments or equity according, in particular, to the analysis of their features, and more specifically, according to their compensation method, depending on whether it is discretionary or not.

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

Subordinate debentures issued that can be converted into ordinary shares also meet the "debt instrument" classification criteria, even if the coupons are treated as dividends deducted from equity. Deferred tax assets associated with the distribution of coupons representing a tax saving are recognised in profit or loss pursuant to the IAS 12 amendment forming part of the 2015-2017 annual improvements.

In accordance with IAS 32, subordinate debentures that can be converted into ordinary shares have been analysed as hybrid

instruments comprising a debt component and an equity component.

Financial liabilities including embedded derivatives

An embedded derivative is a component of a hybrid liability. It is separated out of the host contract and recognised separately when, from the contract's initiation, its economic characteristics and the related risks are not closely linked to those of the host contract, except where the hybrid liability is measured as a whole at fair value through profit or loss. Within the Group, this category of liabilities notably includes the structured issues (Euro Stoxx indexing).

Reclassification of financial liabilities

The classification of a financial liability set at the initial recognition is definitive and no subsequent reclassification is authorised.

Deconsolidation of financial liabilities

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

2.14.10 Financial derivatives and hedge accounting

A derivative is a financial instrument or other contract with the following three characteristics:

- its value fluctuates according to interest rates, the price of the financial instrument, raw materials' prices, an exchange rate, a price index, a credit rating or credit index, or another underlying variable;
- it requires a low or zero initial investment or one that is lower than a non-derivative financial instrument with the same sensitivity to the underlying changes;
- it is settled at a future date.

Derivatives are classified into two categories:

Derivatives held for trading

Derivatives belong to the category of financial instruments held for trading, except for derivatives that are used for hedging purposes. Their fair value is recognised in the balance sheet in "Financial instruments at fair value through profit or loss". Changes in fair value and interest accrued or outstanding are recognised in "Net gains or losses on financial instruments at fair value through profit or loss".

Hedging derivatives

While waiting for the macro-hedging standard to take effect, IFRS 9 offers the option to defer the application of new provisions relating to hedge accounting. The Group has decided to take advantage of the option to keep IAS 39 principles on hedge accounting.

With regard to macro-hedging, the European Union's provisions relating to the fair value hedging of a portfolio of interest rate items continue to apply.

Hedging derivatives that qualify as hedging instruments according to IAS 39 criteria are classified in the "Fair value hedges" or "Cash flow hedges" category, as applicable. They are recognised in the balance sheet as "Hedging derivatives". Other derivative instruments are classified in "Financial assets or liabilities at fair value through profit or loss" by default, even if they have been acquired to hedge one or several transactions from an economic perspective.

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

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

Fair value hedges

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

Any revaluation of the derivative is recognised in profit or loss in a way that mirrors the revaluation of the item hedged. Gains or losses attributable to the hedged risk are recognised in "Net gains and losses on financial instruments at fair value through profit or loss" in the income statement. As soon as the hedging relationship becomes effective, movements in the fair value of the hedged item are mirrored by the movements in the fair value of the hedging instrument. Any potential ineffectiveness of the hedge is directly recognised in the income statement. The portion relating to the rediscounting of the derivative is recognised in "Income and interest expense" in the income statement at the same time as the interest income and expense relating to the hedged item.

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

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

Macro-hedges

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

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

Macro-hedging derivatives are accounted for using the same principles as those described above. The revaluation of the hedging component is recognised in "Revaluation adjustment on rate hedged portfolios".

Cash flow hedges

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

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

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

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

In the event of a breakdown in the hedging relationship, or as soon as the derivative instrument no longer meets the effectiveness criteria specified by the standard, or especially if it is sold, the hedge accounting ceases. The aggregate amounts entered in equity in respect of the revaluation of the hedging derivative are gradually transferred to profit or loss as interest income or expense, or immediately recognised in profit or loss. In the event that the hedged item is sold or redeemed, the derivative is reclassified in "Financial assets at fair value through net income", while the revaluation of the hedged item entered in equity is immediately recognised in profit or loss.

2.14.11 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and a net balance is presented in the balance sheet if and only if the Group has a legally enforceable right to offset the recognised amounts and provided it intends to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must be irrevocable and must be capable of being exercised in all circumstances.

Transactions on repurchase agreements whose principles of operation meet the two criteria required by the standard, are offset in the balance sheet when:

- they have the same counterparty;
- they have the same maturity dates set from the start;
- they are carried out in the same currency;
- they are settled through a settlement/delivery system guaranteeing delivery of securities against receipt of the associated cash;
- the securities are deposited with the same custodian.

Offsetting mainly concerns repurchase agreement transactions carried out with LCH Clearnet clearing house.

2.14.12 Guarantee commitments

Financial guarantees

According to IFRS 9, a contract meets the definition of a financial guarantee if it includes an indemnity principle according to which the issuer shall compensate the beneficiary for losses that the latter sustains as a result of failure by a specified debtor to make a payment on a debt instrument.

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

Moreover, the financial guarantees given (which are not recognised at fair value through profit or loss) can be subject to impairment in accordance with IFRS 9 and are subject to a provision in liabilities in the balance sheet. The same "bucket" categorisation and provisioning principles as those described for financial assets at amortised cost or fair value through recyclable reserves are applied for these outstandings. The provision is recognised for cost of risk.

2.14.13 Financing commitments

Financing commitments that are not considered to be derivative instruments do not appear in the balance sheet.

However, as with financial guarantees granted, financing commitments (that are not considered as derivatives) may be subject to impairment in accordance with IFRS 9 and are covered by a provision in liabilities in the balance sheet.

2.14.14 Insurance activities

The financial assets and liabilities of the fully consolidated insurance subsidiaries are assessed and recognised according to the provisions of IFRS 9 and presented according to the overlay approach.

While awaiting the forthcoming IFRS 17 Insurance Standard, the subsidiaries continue to apply IFRS 4 to the following contracts:

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

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

Financial contracts governed by IFRS 9 correspond to investment policies with no discretionary profit-sharing clause, *i.e.* unit-linked savings policies with no euro-denomination or minimum guarantee.

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

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

Underwriting and actuarial provisions

Underwriting provisions represent commitments to policy-holders.

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

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

The net present value of commitments is calculated by choosing a discount rate that is at most equal to the pricing rate of the policy involved, and by using statutory mortality tables or tables based on experience if they are more cautious. Lower interest rates are factored in to investment income discount rate calculations when the rate is deemed to be too high relative to the expected reinvestment prospects.

Actuarial provisions on unit-linked policies are valued on the basis of the underlying assets. Gains or losses resulting from the revaluation of these policies are recognised in the profit and loss

statement, in order to cancel out the impact of movements in underwriting provisions.

The provisions for contractual equalisation are constituted to meet the exceptional expenses related to operations guaranteeing risks due to natural elements, atomic risks, civil liability risks due to pollution, spatial risks, risks associated with air transport, and risks associated with terrorist attacks and terrorism.

The other provisions notably include provisions for claims and damages to be paid. The assessment of these provisions is based on the estimated value of foreseeable expenses net of any recoveries.

Active deferred profit-sharing

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

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

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

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

In accordance with the recommendation on methods for recognising deferred profit-sharing issued by the French National Accounting Council, or CNC, on 19 December 2008, profit-sharing recoverability is based on a prudent assessment of the capacity for holding the assets, particularly in terms of their future collection, in forecast cash flows. Likewise, the capacity of future returns to absorb unrealised losses was tested, based on unfavourable and unprecedented surrender rates.

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

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

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

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

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

Bonds designated at fair value through profit or loss

In accordance with IFRS 9, some bonds backed by "fixed-for-floating" swaps are recognised at fair value through profit or loss. The credit risk component of the change in fair value is recognised in "Other comprehensive income".

The corresponding swaps are also measured at fair value through profit or loss, in accordance with the general rule for measuring derivatives set out in IFRS 9.

Bonds designated as subject to fair value hedging

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

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

2.15.2 Bonds measured at amortised cost

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

2.15.3 Forward start swaps

In some cases, La Poste subscribes to forward start swaps to protect itself against a rise in interest rates. These cash flow hedging instruments are terminated when the bond is issued, which gives rise to the payment of an equalisation balance (paid

or received depending on the swap's value). These payments are recognised in reversible reserves as part of the application of the cash flow hedge, and then reversed to income over the life of the initially hedged loan, in accordance with the provisions of IFRS 9 regarding the termination of hedges.

2.16 Commitments to buy out non-controlling interests

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

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

2.17 Inventories and work-in-progress

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

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

2.18 Trade receivables

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

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

2.19 Provisions

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

The provisions are assessed on the basis of the Group's expectation of the expenditure required to settle the liability, based on management data from the information system and on assumptions

selected by the Group, supplemented, where necessary, by experience of similar transactions and, in some cases, by reports from independent experts or estimates from service providers. These various assumptions are reviewed at each balance-sheet date.

Provisions for commitments on home loan savings agreements

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

They generate two types of commitments for the distributor institution:

- obligation to pay interest on deposits for an undetermined period of time at a fixed rate for Home loan savings plans (PEL) opened before 28 February 2011, and at a rate that is reviewed annually for new generations;
- obligation to grant loans to customers at a rate fixed upon signature of the contract.

These commitments, with potentially unfavourable consequences for the Group, are subject to provisions presented in liabilities in the balance sheet (under "Provisions"), with changes recorded under net banking income in interest margin.

The provisions are estimated based on customers' behavioural statistics and market data for each generation of plan in order to hedge the future expenses associated with the potentially unfavourable conditions of these products compared to the interest rates offered to retail customers for similar products that are unregulated in terms of compensation. They only concern commitments related to home loan savings accounts and plans that exist at the provision calculation date.

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

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

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

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

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

2.20 Employee benefits

2.20.1 Post-employment benefits

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

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

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

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

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

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

2.20.2 End-of-career arrangements

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

2.21 Assets held for sale

A non-current asset, or group of assets and liabilities, is classified as being held for sale when its book value will primarily be recovered through its sale and not its ongoing use. This assumes that the

asset is available for immediate sale in its current state and that such a sale is highly likely within one year.

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

2.22 Cash flow statement

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

The format of the cash flow statement has been rearranged in order to show the flows associated with La Banque Postale and the flows associated with non-banking business activities on a separate basis.

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

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

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

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

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

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

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

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

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

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

Financing activities relate to transactions that affect the amount and composition of equity and debt. Cash flows from financing activities include sources of financing (new borrowings) and related outflows (distribution of dividends to minority shareholders, La Poste savings bond redemptions and debt repayments).

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

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

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

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

NOTE 3 IMPACTS OF THE FIRST-TIME ADOPTION OF IFRS 9

3.1 Policies

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3.2 Reconciliation to IFRS 9 as at 1 January 2018

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3.1 Policies

3.1.1 Retrospective application of IFRS 9

Under IAS 8, the application of IFRS 9 is retrospective, meaning that the principles of IFRS 9 are applied as if the standard had always been applied. The impacts of the transition are recognised in equity.

Accordingly, analysis of the “basic loan” criterion, or test SP11, was carried out retrospectively at the date on which each financial asset was initially recognised on the balance sheet. Accounting business models were analysed at 1 January 2018 on the basis of the facts and circumstances existing at that date.

Similarly, the retrospective application of IFRS 9 concerning impairment requires measurement of significant deterioration in the credit risk of each financial asset entering the scope of application since the date on which it was first recognised. This analysis has enabled the classification of these financial assets in “Bucket 1” or “Bucket 2” at the date of initial application.

3.1.2 Restatement of comparative information

Furthermore, IFRS 9 does not require the publication of a 2017 *pro forma*. Consequently, LBP does not restate comparative information in its financial statements.

3.1.3 Maintaining the principles of IAS 39 for hedge accounting

IFRS 9 only covers micro-hedging transactions. The standard extends hedging strategies, notably with more items becoming eligible for hedge accounting, and fewer requirements pertaining to hedging relationship efficacy and an alleviation of the demonstration requirements to hedge effectiveness.

With regard to macro-hedging, the European Union's provisions relating to the fair value hedging of a portfolio of interest rate items will continue to apply.

While waiting for the macro-hedging standard to take effect, IFRS 9 offers the option to defer the application of new provisions relating to hedge accounting. In this context, the Group has decided to take advantage of the option to keep the principles of IAS 39 pertaining to hedge accounting.

3.1.4 Application of IFRS 9 to the “Insurance” business segment and to CNP Assurances

In November 2017, the European Union adopted the amendment published by the IASB entitled “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”, which offers two optional approaches to address the impacts of mismatches between the application of IFRS 9 and the new IFRS 17 on insurance contracts, which will come into force on 1 January 2021.

The first option consists of deferring the application of IFRS 9 for three years until 1 January 2021, and applies to entities whose activities are predominantly related to insurance and, under certain conditions, to financial conglomerates. The amendment further provides for a temporary exemption from the application of certain provisions of IAS 28, thus allowing groups applying IFRS 9 and accounting for their subsidiaries using the equity method to use the financial statements prepared by these subsidiaries for their consolidated financial statements, without imposing the standard where it is not required at subsidiary level.

As the CNP Assurances group meets the eligibility criteria for the deferred application of IFRS 9, it shall therefore continue to apply IAS 39 for the accounting of its financial instruments until the 2021 fiscal year. As authorised under the amendment, the Group will not perform any restatements for IFRS 9 in the financial statements prepared by the entity for equity associates.

The second option, known as the “overlay approach” applies to all issuers of insurance contracts that have chosen to apply IFRS 9 from 1 January 2018. The overlay approach allows users to reclassify to recyclable equity the volatility that may arise in the income statement as a result of the financial instruments that were previously accounted for under IAS 39 as available-for-sale assets or at amortised cost and which, under IFRS 9, must be accounted for at fair value through profit or loss. La Banque Postale has chosen to opt for this approach for the financial assets held in its fully-consolidated insurance subsidiaries. Consequently, the volatility that may arise as a result of the application of IFRS 9 will be removed until the application of IFRS 17 on 1 January 2021. The main subsidiaries affected by the overlay approach are La Banque Postale Prévoyance, La Banque Postale Assurances IARD and La Banque Postale Assurance Santé.

3.1.5 Main impacts of the transition to IFRS 9 as at 1 January 2018

Impacts of the transition to IFRS 9 in terms of classification

As a reminder, according to IFRS 9, financial assets are classified at amortised cost, at fair value through equity (recyclable or non-recyclable) or at fair value through profit or loss.

Financial assets in each category will be classified according to the entity's defined accounting business model and contractual cash flow characteristics ("basic loan" criterion).

The main reclassifications resulting from the transition to IFRS 9 concerning financial assets are as follows:

- loan origination for local authorities eligible for assignment to Caffil that are classified as Loans and receivables under IAS 39, including their fair value hedging impact, are now classified as "Financial assets held for transaction purposes" and valued at fair value through profit or loss;
- with regard to securities portfolios, shares of UCITs that were classified as Available-for-sale assets under IAS 39 and qualified as debt instruments that do not meet the SPPI criterion under IFRS 9, are now recognised under Financial assets at fair value through profit or loss. Investments in equity instruments classified as Available-for-sale assets under IAS 39 and corresponding to unconsolidated equity;
- investments held by the Group are now classified at fair value through non-recyclable equity in accordance with the irrevocable option provided by IFRS 9, with the exception of Visa securities, which are recognised at fair value through profit or loss;
- with regard to securities designated at fair value under IAS 39, these correspond to compound financial assets including embedded derivatives that are not closely related. Under IFRS 9, these financial assets must be recognised at fair value through profit or loss, as debt instruments that do not meet the SPPI criterion.

The impacts on equity of the transition to IFRS 9 as of 1 January 2018 related to the classification amount to +€8 million (+€11 million

before the calculation of deferred tax), and correspond mainly to the reclassification at fair value through profit or loss of loans to local authorities eligible for assignment to Caffil.

Furthermore, application of ANC recommendation no. 2017-02 relating to the format of the consolidated financial statements of banks under IFRS led to the following reclassification: the Group now presents insurance activity liabilities and investments as a specific balance sheet item.

Impacts of the transition to IFRS 9 in terms of impairment

As a reminder, the new provisioning methodology has now shifted toward an expected credit loss model and away from an incurred loss only model.

This new provisioning model applies to all financial assets with a counterparty risk (excluding equity instruments) not revalued at fair value through profit or loss, as well as to financing commitments and guarantee commitments.

Accordingly, new impairments, representing one-year expected credit losses, are accounted for as outstandings as soon as they are recorded on the balance sheet, and off-balance sheet for financing commitments, as long as they do not significantly increase credit risk. These outstandings fall under "Bucket 1".

Outstandings for which a significant decline in credit quality has been identified since the date they were first recognised are subject to impairment for the amount of the expected credit loss over the residual life of the instrument. These outstandings fall under "Bucket 2".

Criteria to identify impaired assets (falling under "Bucket 3") are similar to those in IAS 39.

The impacts on equity of the transition to IFRS 9 as of 1 January 2018 related to the new impairment model amount to -€154 million and correspond:

- for -€112 million to impairment of financial assets (-€151 million before deferred tax);
- for -€42 million to impairment of off-balance sheet transactions (-€63 million before deferred tax).

3.2 Reconciliation to IFRS 9 as at 1 January 2018

A) Balance sheet transition from 31 December 2017 to 1 January 2018

<i>Financial assets</i>	31/12/2017	IFRS 9 Reclassifications at 1 January 2018				
		Financial assets at fair value				
(in € million)	Financial assets evaluated with IAS 39	Central bank deposits	Financial assets held for trading	Equity instruments	Debt instruments that do not meet the SPPI criterion	Hedging derivatives
Customer loans and receivables	88,048	-	1,659	-	-	-
Loans and receivables - Credit institutions	84,088	-	-	-	-	-
Financial assets at fair value through profit or loss	8,502	-	7,259	-	35	1,146
• Financial assets held for trading and trading derivatives	7,320	-	7,259	-	-	-
• Financial assets designated at fair value through profit or loss : Debt instruments	35	-	-	-	35	-
• Hedging derivatives	1,146	-	-	-	-	1,146
Available-for-sale assets	17,650	-	-	20	867	-
Revaluation adjustment on rate hedged portfolios	69	-	-	-	-	-
Held-to-maturity securities	20,734	-	-	-	-	-
Accruals	3,308	-	-	-	-	-
Central bank deposits	3,325	3,325	-	-	-	-
TOTAL	225,723	-	-	-	-	-
Restatement of book value according to IFRS 9	-	-	-	-	(1)	-
IFRS 9 restatement without equity impact	-	-	-	-	(2)	-
FINANCIAL ASSETS EVALUATED UNDER IFRS 9 AS AT 1 JANUARY 2018	-	3,325	8,919	20	900	1,146

IFRS 9 Reclassifications at 1 January 2018

Financial assets at fair value through equity				Debt instruments classified at amortised cost		Securities at amortised cost		
Insurance investments	Debt instruments classified at fair value through recyclable equity	Equity instruments classified at fair value through non-recyclable equity	Loans and receivables - Credit institutions	Customer loans and receivables	Debt securities	Revaluation adjustment on rate hedged portfolio	Accruals	
-	63	-	-	84,416	1,910	-	-	
-	-	-	83,613	-	475	-	-	
61	-	-	-	-	-	-	-	
61	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
2,418	14,093	252	-	-	-	-	-	
-	-	-	-	-	-	69	-	
33	-	-	-	-	20,702	-	-	
262	-	-	-	-	-	-	3,046	
-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	
3	3	-	-	-	-	7	-	
(8)	-	(2)	-	-	-	-	-	
2,768	14,160	251	83,613	84,416	23,086	76	3,046	

Financial liabilities

	31/12/2017	IFRS 9 Reclassifications at 1 January 2018		
		Financial liabilities at fair value through profit or loss		
(in € million)	Financial liabilities evaluated with IAS 39	Financial liabilities held for transaction purposes	Financial liabilities designated at fair value through profit or loss	Hedging derivatives
Liabilities to credit institutions	14,154	-	-	-
Liabilities to customers	182,556	-	-	-
Debt evidenced by a certificate and other financial liabilities	17,875	299	5	236
• Debt evidenced by a certificate	14,462	-	-	-
• Financial liabilities held for transaction purposes	297	297	-	-
• Financial liabilities designated at fair value through profit or loss	5	-	5	-
• Hedging derivatives	238	2	-	236
• Other financial liabilities	2,873	-	-	-
Accruals	2,099	-	-	-
Total	216,684	-	-	-
Restatement of book value according to IFRS 9	-	-	-	-
FINANCIAL LIABILITIES EVALUATED UNDER IFRS 9 AS AT 1 JANUARY 2018	-	299	5	236

B) Transition from impairments or provisions recognised under IAS 39 to allowance for losses recognised under IFRS 9

For the application of IFRS 9 as of 1 January 2018, provisioning arrangements have changed significantly. The following table presents the changes between impairments or provisions for liabilities recognised at 31 December 2017 under IAS 39 and the amount of the allowance for losses recognised at 1 January under IFRS 9:

	31/12/2017	IFRS 9 Reclassifications at 1 January 2018				
		Financial assets at fair value				
(in € million)	Financial assets impairment evaluated with IAS 39	Central bank deposits	Financial assets held for trading	Equity instruments	Debt instruments that do not meet the SPPI criterion	Financial assets designated at fair value through profit or loss
Central bank deposits	-	-	-	-	-	-
Available for sale assets	(11)	-	-	-	-	-
Loans and receivables - Credit institutions	-	-	-	-	-	-
Customer loans and receivables	(604)	-	-	-	-	-
Held-to-maturity securities	-	-	-	-	-	-
Total	(615)	-	-	-	-	-
Restatement of impairments according to IFRS 9	-	-	-	-	-	-
Of which Bucket B1	-	-	-	-	-	-
Of which Bucket B2	-	-	-	-	-	-
Of which Bucket B3	-	-	-	-	-	-
FINANCIAL ASSETS IMPAIRMENT UNDER IFRS 9 AS AT 1 JANUARY 2018	-	-	-	-	-	-

IFRS 9 Reclassifications at 1 January 2018

Financial liabilities classified at amortised cost

Liabilities to credit institutions	Liabilities to customers	Debt evidenced by a certificate and other financial liabilities
14,154	-	-
-	182,556	-
-	-	17,335
-	-	14,462
-	-	-
-	-	-
-	-	-
-	-	2,873
-	-	2,099
-	-	-
-	-	-
14,154	182,556	19,434

IFRS 9 Reclassifications at 1 January 2018

Financial assets at fair value through equity

Debt instruments classified at amortised cost

Insurance investments	Debt instruments classified at fair value through recyclable equity	Equity instruments classified at fair value through non-recyclable equity	Loans and receivables - Credit institutions	Customer loans and receivables	Debt securities	Finance leases	Reclassifications without equity impact
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(11)
-	-	-	-	-	-	-	-
-	-	-	-	(604)	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(2)	-	(2)	(143)	(6)	-	11
-	(2)	-	(2)	(44)	(6)	-	-
-	-	-	-	(82)	-	-	-
-	-	-	-	(17)	-	-	11
-	(2)	-	(2)	(748)	(6)	-	-

C) Impact on financial assets and on off-balance sheets commitments of IFRS 9

Off-balance sheet commitments provisions

(in € million)	31/12/2017	Reconciliation to IFRS 9	01/01/2018
	IAS 39		IFRS 9
Financing commitments	-	63	63
Guarantee commitments	-	-	-
TOTAL	-	63	63

Breakdown between collective impairments and individual impairments under IAS 39:

Financial assets impairment

(in € million)	31/12/2017	
	Collective impairments	Individual impairments
Available-for-sale assets	-	(11)
Customer loans and receivables	(44)	(560)
Held to maturity securities	-	-
TOTAL	(44)	(571)

Breakdown of impairment by bucket under IFRS 9:

Financial Assets

(in € million)	01/01/2018		
	Bucket 1	Bucket 2	Bucket 3
Debt instruments at fair value through equity	(2)	-	-
Loans and receivables - Credit institutions	-	-	-
Customer loans and receivables	-	-	-
Debt securities	(2)	-	-
Debt instruments classified at amortised cost	(52)	(160)	(544)
Loans and receivables - Credit institutions	(2)	-	-
Customer loans and receivables	(44)	(160)	(544)
Debt securities	(6)	-	-
TOTAL	(54)	(160)	(544)

Off-balance sheet commitments

(in € million)	01/01/2018		
	Bucket 1	Bucket 2	Bucket 3
Financing commitments	26	21	15
Guarantee commitments	-	-	-
TOTAL	26	21	15

D) Impact on equity of the first-time adoption of IFRS 9

(in € million)	Consolidated Equity	Equity Group share	Non-controlling interests
CONSOLIDATED EQUITY UNDER IAS 39 AS AT 31/12/2017	11,534	11,364	169
Effect on consolidated reserves	(119)	(118)	(1)
Reclassification from Available-for-sales financial assets to assets classified at fair value through recyclable equity	2	2	-
Reclassification from Available-for-sales financial assets to assets designated at fair value through profit or loss (including cancelation of provision if applicable)	81	79	2
Impact of overlay approach	(37)	(37)	-
Reclassification from amortized cost to financial assets designated at fair value through profit or loss (including remaining acquisition costs to be spread)	7	7	-
Accounting for expected credit losses (on assets from IAS 17 and IFRS 15, off-balance sheet commitments)	(216)	(216)	-
Income Tax	34	37	(3)
Income Tax (Impact of overlay approach)	9	9	-
Effect on gains and losses recongnised directly in equity (after tax)	(26)	(26)	(1)
Reclassification from Available-for-sales financial assets to assets classified at fair value through equity	(2)	(2)	-
Reclassification from Available-for-sales financial assets to assets designated at fair value through profit or loss	(81)	(80)	(2)
Impact of overlay approach	37	37	-
Reclassification from amortized cost assets to assets designated at fair value through equity	4	3	1
Accounting for expected credit losses from assets designated at fair value through profit or loss	2	2	-
Income Tax	23	23	-
Income Tax (Impact of overlay approach)	(9)	(9)	-
Effect on equity from IFRS 9	(146)	(144)	(2)
CONSOLIDATED EQUITY UNDER IFRS 9 AS AT 01/01/2018	11,388	11,220	168

NOTE 4 CHANGES IN THE CONSOLIDATION SCOPE

4.1	Main newly-consolidated companies	312	4.3	Income statement at constant scope and exchange rates	312
4.2	Main deconsolidated companies	312			

The scope of consolidation is shown in Note 42.

4.1 Main newly-consolidated companies

Take-over of Asendia

The Group increased in September 2018 its stake in Asendia group to 60%. This acquisition was fully consolidated from 1 October 2018, and represents an additional goodwill of €92 million as at 31 December 2018.

The revaluation of the previously held investment generated a €57 million profit, included in the goodwill value (see Note 12).

Taking into account the previously held €30 million goodwill (recognised in the value of investments in associates), total goodwill on the Asendia CGU amounts to €179 million as at 31 December 2018.

4.2 Main deconsolidated companies

None.

4.3 Income statement at constant scope and exchange rates

(in € million)	Reported net profit/(loss)		Restated net profit/(loss) excluding scope and exchange rate effects	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Revenues and NBI	24,699	24,110	24,338	24,041
Purchases and other expenses	(10,144)	(9,212)	(9,884)	(9,166)
Personnel expenses	(12,769)	(12,840)	(12,695)	(12,822)
Taxes and levies	(257)	(258)	(256)	(258)
Depreciation, amortisation and provisions	(1,197)	(1,160)	(1,182)	(1,158)
Other current operating revenue and expenses	412	315	415	315
Pre-tax gains and losses on asset disposals	162	49	162	48
Net operating expenses	(23,793)	(23,106)	(23,440)	(23,041)
Operating profit/(loss) before share in results of joint ventures	906	1,004	898	1,000
Share in results of joint ventures	(14)	8	(12)	9
OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES	892	1,012	886	1,009

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

NOTE 5 SEGMENT REPORTING

5.1	Definition of operating segments	313	5.3	Geographical information	317
5.2	Operating segment reporting	313			

5.1 Definition of operating segments

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

The criteria selected to define business segments specifically include:

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

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

Segments	Activities
Services-Mail-Parcels	• mail activity (i.e. pick-up, sorting and delivery of letter posts, advertising and press publications) and related services • parcels activity carried out by La Poste under the ColiPoste brand • postman's new services
GeoPost	• Express activity carried out by the GeoPost sub-group's brands, primarily DPD, Chronopost and SEUR
La Banque Postale	• Banking and Insurance activities of the La Banque Postale sub-group • services provided by some La Poste staff to La Banque Postale under service agreements
La Poste Network	• sale and distribution activities intended for the general public • La Poste Mobile activities • other non-Group products
Digital services	• all the Group's digital activities
Real estate	• management of all of the Group's real estate assets held by the Poste Immo sub-group • activities of the La Poste Real Estate Department
Shared Services	• "Corporate" activities of the Group's registered Office • support services departments

5.2 Operating segment reporting

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

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

The amounts unallocated to the business segments primarily correspond to:

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

Segmentation of operating expenses

Given that the Mail, Parcels, Banking activities and La Poste Retail Brand segments coexist within La Poste, and that their production

processes are highly inter-connected, La Poste has set out cost accounting principles in order to allocate shared costs between these various segments and thereby determine each segment's profit (loss).

The expenses for the La Poste Retail Brand post office counters are re-invoiced to the businesses that use the network on the basis of service agreements, where the pricing mechanisms are based on

measurable operating metrics (revenues, and statistics measuring the time required to perform various transactions, etc.).

Segmentation of non-current assets

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

5.2.1 Income statement by operating segment

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

2018

(in € million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
Non-Group revenues and NBI	11,258	7,303	5,545	533	33	26	1	-	-	24,699
Inter-segment revenues and NBI	318	70	25	183	3,788	810	1,053	-	(6,247)	-
Operating revenue	11,577	7,373	5,570	716	3,820	836	1,054	-	(6,247)	24,699
Operating profit/(loss) before share in results of joint ventures	493	345	813	1	(134)	230	(216)	(625)	-	906
Share in results of joint ventures	2	1	-	-	(19)	2	-	-	-	(14)
Operating profit/(loss) after share in results of joint ventures	495	346	813	1	(153)	232	(216)	(625)	-	892
Financial profit/(loss)	-	-	-	-	-	-	-	(186)	-	(186)
Income tax	-	-	-	-	-	-	-	(161)	-	(161)
Share in profits of associates	-	23	268	1	-	-	-	-	-	291
CONSOLIDATED NET PROFIT/(LOSS)	-	-	-	-	-	-	-	-	-	837
Depreciation, amortisation, provisions and impairment	(230)	(240)	(350)	(37)	(34)	(200)	(106)	-	-	(1,197)
Segment assets	3,653	5,405	244,721	768	205	3,501	9,044	(5,788)	-	261,509

2017

(in € million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
Non-Group revenues and NBI	11,113	6,766	5,647	531	38	15	1	-	-	24,110
Inter-segment revenues and NBI	311	50	40	141	3,953	814	758	-	(6,067)	-
Operating revenue	11,424	6,816	5,687	672	3,991	828	759	-	(6,067)	24,110
Operating profit/(loss) before share in results of joint ventures	577	431	870	(20)	(10)	125	(283)	(687)	-	1,004
Share in results of joint ventures	23	-	-	-	(15)	1	-	-	-	8
Operating profit/(loss) after share in results of joint ventures	600	430	870	(20)	(25)	126	(284)	(687)	-	1,012
Financial profit/(loss)	-	-	-	-	-	-	-	(168)	-	(168)
Income tax	-	-	-	-	-	-	-	(248)	-	(248)
Share in profits of associates	-	32	263	(1)	-	2	-	-	-	297
CONSOLIDATED NET PROFIT/(LOSS)	-	-	-	-	-	-	-	-	-	893
Depreciation, amortisation, provisions and impairment	(216)	(180)	(347)	(58)	(49)	(194)	(114)	-	-	(1,160)
Segment assets	3,045	5,348	231,023	664	206	3,385	8,264	(5,274)	-	246,662

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

5.2.2 Balance sheet by operating segment

31/12/2018

(in € million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Eliminations	Total
Assets									
Intangible and tangible assets and goodwill	1,284	3,071	1,338	408	122	3,125	490	(12)	9,827
Equity associates	4	687	3,260	-	-	32	(1)	-	3,982
Other non-current assets	20	78	335	19	3	13	4,985	(4,541)	912
Current assets	2,345	1,568	239,788	341	81	332	3,570	(1,235)	246,788
TOTAL	3,653	5,405	244,721	768	205	3,501	9,044	(5,788)	261,509
Investments*	249	388	333	91	36	307	196	-	1,600
Liabilities									
Equity	-	-	-	-	-	-	12,210	-	12,210
Bonds and other financial debt (current and non-current)	509	2,038	3	304	-	973	6,199	(3,797)	6,229
Other non-current liabilities	1,156	262	357	35	719	49	122	-	2,699
Other current liabilities	2,654	1,391	235,288	326	622	408	1,206	(1,524)	240,371
TOTAL	4,318	3,692	235,649	666	1,340	1,430	19,736	(5,322)	261,509

31/12/2017

(in € million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Eliminations	Total
Assets									
Intangible and tangible assets and goodwill	985	3,000	1,190	363	127	3,073	476	(12)	9,204
Equity associates	81	612	3,376	-	-	30	(1)	-	4,098
Other non-current assets	14	125	284	25	3	11	4,445	(4,116)	790
Current assets	1,966	1,611	226,173	276	76	270	3,344	(1,146)	232,570
TOTAL	3,045	5,348	231,023	664	206	3,385	8,264	(5,274)	246,662
Investments*	232	815	343	93	28	327	313	-	2,152
Liabilities									
Equity	-	-	-	-	-	-	11,534	-	11,534
Bonds and other financial debt (current and non-current)	316	1,959	3	29	7	1,068	6,218	(3,304)	6,297
Other non-current liabilities	1,253	258	431	40	733	50	95	-	2,859
Other current liabilities	2,424	1,485	221,079	274	648	323	1,023	(1,283)	225,973
TOTAL	3,993	3,702	221,513	343	1,388	1,441	18,870	(4,587)	246,662

* Purchase of intangible and tangible assets, and impact of changes in the scope of consolidation.

5.3 Geographical information

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

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

2018

(in € million)	France	European Union (excluding France)	Other	Total
Revenues from commercial activities	12,491	5,424	1,239	19,154
Net banking income	5,545	-	-	5,545
OPERATING REVENUE	18,036	5,424	1,239	24,699
Segment assets	256,807	4,205	497	261,509
Investments ^(a)	1,316	259	25	1,600

2017

(in € million)	France	European Union (excluding France)	Other	Total
Revenues from commercial activities	12,579	5,059	826	18,463
Net banking income	5,647	-	-	5,647
OPERATING REVENUE	18,226	5,059	826	24,110
Segment assets	243,738	2,564	360	246,662
Investments ^(a)	1,923	226	3	2,152

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

NOTES TO THE INCOME STATEMENT

NOTE 6 REVENUES

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

(in € million)	2018	2017
Services-Mail-Parcels revenues	11,258	11,113
Correspondence and other La Poste products and services	6,262	6,480
Advertising mail	1,031	1,090
Press ^(a)	486	514
Products and services of the subsidiaries (domestic mail)	631	566
International mail	935	739
Parcels	1,782	1,724
E-commerce - sale of goods ^(b)	132	-
GeoPost revenue	7,303	6,766
• Express Rest of World	5,652	5,278
• Express France	1,651	1,488
Digital Services revenue	533	531
La Poste Network revenue^(c)	33	38
Real Estate revenue^(d)	27	15
TOTAL	19,154	18,463

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

(b) The e-commerce activity is carried out by Asendia group (see Note 4.1).

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

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

NOTE 7 NET BANKING INCOME

The Group's net banking income broke down as follows:

(in € million)	2018	2017
Interest and similar income	4,068	4,486
Credit institutions transactions	1,186	1,404
Customer transactions	1,800	1,904
Finance lease operations	36	-
Securities classified at amortised cost, assets at fair value through equity, debt instruments and hedging operations	1,046	1,179
Interest and similar expenses	(1,840)	(1,781)
Credit institutions transactions	(100)	(72)
Customer transactions	(1,367)	(1,364)
Debt evidenced by a certificate and hedging operations ^(a)	(373)	(344)
Commission income	2,672	2,716
Commission expenses	(222)	(276)
Net gains and losses	367	270
Financial instruments at fair value through profit or loss	25	(8)
Financial instruments at fair value through equity ^(a)	342	-
Available-for-sale assets ^(a)	-	278
Net income on insurance activities	417	293
Impact of the overlay approach (gross impact)^(a)	15	-
Income and expenses from other activities	67	(62)
TOTAL	5,545	5,647

(a) These NBI items have been modified due to the application of IFRS 9 as at 1 January 2018.

NOTE 8 PURCHASES AND OTHER EXTERNAL EXPENSES

Purchases and other expenses broke down as follows:

<i>(in € million)</i>	2018	2017
External services and general sub-contracting	2,311	1,947
Purchases	642	562
Outsourced transport	4,737	4,470
International mail delivery services	260	200
Rental expenses	942	899
Maintenance and repair costs	492	456
Telecommunications expenses	172	159
Travel and assignments	192	181
Other expenses	394	338
TOTAL	10,144	9,212

NOTE 9 PERSONNEL EXPENSES AND HEADCOUNT

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

<i>(in € million)</i>	2018	2017
Wages and salaries, bonuses and allowances	9,390	9,098
Pension contributions	1,008	1,113
Other social security contributions	1,878	1,820
Employee welfare costs	213	210
CICE revenue	(320)	(391)
Change in post-employment provisions	17	19
Change in provisions for social security contingencies and staff litigation	(20)	(158)
Change in other employee provisions	(164)	352
Compensation-based taxes and duties	767	779
TOTAL	12,769	12,840
Average headcount (<i>full-time employee equivalent per year</i>)	251,219	253,219

The "Pension contributions" line item corresponds to contributions paid in to post-employment defined benefits plans. This line item includes the full discharge contribution provided for by law in relation to the funding arrangements for the pensions of government employees.

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

NOTE 10 TAXES AND LEVIES

Taxes and levies consist of the following items:

(in € million)	2018	2017
Local taxes	135	143
Other taxes and levies	122	115
TOTAL	257	258

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

In this regard, La Poste enjoyed in 2018 an 85% reduction in its corporate tax base in the property tax base for its business

premises, as well as an 95% reduction on the added value used for the purposes of calculating the Corporate Value-Added Contribution (CVAE) (Article 1635 *sexies* of the French General Tax Code and Decree No. 2018-1261 of 26 December 2018).

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

NOTE 11 DEPRECIATION, AMORTISATION, PROVISIONS AND IMPAIRMENT

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

(in € million)	2018	2017
Net depreciation and amortisation	1,011	985
Intangible assets ^(a)	319	300
Tangible assets ^(a)	692	685
Net provisions and impairment	53	(17)
Goodwill ^(b)	67	7
Other non-current assets ^(a)	(2)	2
Inventories ^(c)	(1)	-
Accounts receivable ^(c)	(2)	(14)
Losses on unrecoverable receivables	24	30
Provisions for contingencies and losses ^(d)	(32)	(43)
Cost of risk (Banking activities)	133	192
Cost of risk and other impairments, charges and risks (Banking activities)	4	94
Banking activities cost of risk - unrecoverable receivables	129	98
TOTAL	1,197	1,160

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

(b) The impairment of goodwill is broken down in Note 15.3.

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

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

NOTE 12 OTHER OPERATING INCOME AND EXPENSES

Other operating revenue and expenses broke down as follows:

Income/(expenses)

(in € million)	2018	2017
Capitalised production	331	280
Royalties	(46)	(33)
Revenues recorded following an acquisition of control ^(a)	57	(5)
Other current operating revenue and expenses	70	73
TOTAL	412	315

(a) In 2018, €57 million impact of the revaluation of the previously held investment in Asendia (see Note 4.1).

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

NOTE 13 FINANCIAL PROFIT/(LOSS)

13.1 Cost of net financial debt	322	13.2 Other financial items	322

13.1 Cost of net financial debt

(in € million)	2018	2017
Interest expense on financing transactions ^(a)	(163)	(165)
Change in the fair value of borrowings and debt-related swaps ^(b)	(3)	5
Income from cash and cash equivalents ^(c)	6	6
TOTAL	(160)	(154)

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

(b) Excluding the effect of change in credit risk on the fair value of borrowings, recognised in OCI.

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

13.2 Other financial items

(in € million)	2018	2017
Discounting expense on provisions for employee benefits and return on plan assets	(21)	(15)
Net foreign exchange gains	(1)	(6)
Other financial income and expenses	(4)	6
TOTAL	(26)	(14)

NOTE 14 INCOME TAX

14.1	Income tax expense recognised in income	323	14.4	Deferred tax recognised on the balance sheet	325
14.2	Tax on other comprehensive income	323	14.5	Breakdown of deferred tax by type	325
14.3	Tax proof	324	14.6	Unrecognised deferred tax assets	326

14.1 Income tax expense recognised in income

(in € million)	2018	2017
Current tax (expense)	(131)	(232)
Deferred tax income/(expense)	(30)	(17)
TOTAL TAX INCOME/(EXPENSE)	(161)	(248)

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

14.2 Tax on other comprehensive income

(in € million)	2018	2017
Change in unrealised gains and losses on financial instruments (recyclable and non-recyclable items)		
Amount before tax	(566)	(131)
Tax impact	194	60
AMOUNT NET OF TAX	(372)	(71)
Translation adjustments		
Amount before tax	(66)	(84)
Tax impact	-	-
AMOUNT NET OF TAX	(66)	(84)

14.3 Tax proof

The explanation of the tax reconciliation is as follows:

(in € million)	2018	2017
Net profit/(loss), Group share	798	851
Share in profits of equity associates and joint ventures	(277)	(305)
Income tax	161	248
Non-controlling interests	39	41
Consolidated profit (loss) before tax and share in profits of equity associates and joint ventures	720	835
Income tax rate	34.43%	34.43%
Theoretical tax expense^(a)	(248)	(288)
Exceptional and additional taxes on large companies	-	(36)
Tax on distributed revenues ^(b)	-	35
Unused tax losses created during the year or in previous years (excluding tax consolidation)	(17)	(15)
Deferred tax assets creation (limitation)	26	(94)
Tax rate differential for foreign subsidiaries	44	41
Effect of the French income tax rate decrease from 2019 ^(c)	(32)	(26)
Tax benefits, tax credits and foreign tax allowances	14	14
Fines	(10)	15
Contribution to the French Deposits guarantee and resolution fund (Fonds de Garantie des dépôts et Résolution)	(16)	(12)
Impairment	20	-
Revaluation of investment following a take-over	(23)	(3)
CICE	97	117
Other permanent differences (non-deductible expenses)	(15)	5
Tax restatements	87	43
ACTUAL TAX CHARGE	(161)	(248)

(a) Including the 3.3% social solidarity contribution.

(b) Includes in 2017 the reimbursement of the 3% exceptional contribution on dividends, which was invalidated by the French Constitutional Council in October 2017.

(c) The 2018 French finance law, adopted in December 2017, provides that the income tax rate in France will decrease progressively to reach 25.83% in 2022.

14.4 Deferred tax recognised on the balance sheet

(in € million)	Deferred tax assets	Deferred tax liabilities	Total
31/12/2016	239	277	(39)
Impact on net profit/(loss)	(82)	(66)	(16)
Reclassifications	(16)	(16)	-
Impact on equity	48	(16)	63
Change in consolidation scope	4	8	(4)
31/12/2017	192	188	4
Impact of IFRS 9 first time application	12	(52)	65
Impact on net profit/(loss)	(45)	(15)	(30)
Reclassifications	74	74	-
Impact on equity	179	(7)	186
Change in consolidation scope	1	-	-
31/12/2018	412	188	225

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

14.5 Breakdown of deferred tax by type

(in € million)	31/12/2018	31/12/2017
Deferred tax assets		
Employee benefits	414	454
Other non-deductible provisions	62	34
Other timing differences	102	114
Financial instruments	6	5
Tax loss carry-forwards	136	15
Asset/liability offsets ^(a)	(308)	(430)
TOTAL ASSETS	412	192
Deferred tax liabilities		
Regulated provisions	108	114
Revaluation of contributions to Poste Immo	41	50
Financial instruments	102	224
Deductible goodwill	164	161
Other tax timing differences	81	69
Asset/liability offsets ^(a)	(308)	(430)
TOTAL LIABILITIES	188	188

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

14.6 Unrecognised deferred tax assets

Type and amount of unrecognised deferred tax asset bases

	31/12/2018			
	French companies in the tax consolidation group	Non-consolidated French companies	Foreign companies	Total
<i>(in € million)</i>				
Home Loan Savings Provision	238	-	-	238
Employee benefits	1,235	11	57	1,303
Other timing differences	370	43	32	445
Ordinary tax losses		261	145	406
TOTAL	1,843	315	234	2,392

Unrecognised deferred tax asset bases amounted to €2,456 million as at 31 December 2017.

NOTES TO THE BALANCE SHEET

NOTE 15 GOODWILL

15.1	Breakdown of goodwill	327	15.3	Impairment	328
15.2	Change in the net book value of goodwill	328			

15.1 Breakdown of goodwill

CGU

(in € million)	Segment	31/12/2018	31/12/2017
DPD Continental Europe	GeoPost	517	517
DPD France	GeoPost	334	334
GeoPost Spain	GeoPost	318	313
Digital Services	Digital services	216	195
Asendia ^(a)	Services-Mail-Parcels	179	-
DPD Russia	GeoPost	127	206
DPD Poland	GeoPost	126	130
GeoPost UK	GeoPost	121	122
Asten Santé	Services-Mail-Parcels	98	97
La Banque Postale Prévoyance	La Banque Postale	94	94
Mediapost	Services-Mail-Parcels	65	64
Tigers	GeoPost	48	49
Chronopost	GeoPost	44	38
JadLog	GeoPost	32	34
Diadom Care	Services-Mail-Parcels	31	-
Tocqueville Group	La Banque Postale	27	27
La Banque Postale Asset Management	La Banque Postale	22	22
WnDirect	GeoPost	22	22
Stuart	GeoPost	13	13
Resto In	GeoPost		10
DPD Laser Finance	GeoPost	10	12
Other GeoPost companies	GeoPost	25	25
Other Services-Mail-Parcels companies	Services-Mail-Parcels	8	8
TOTAL		2,478	2,332
Services-Mail-Parcels		381	168
GeoPost		1,738	1,824
La Banque Postale		143	143
Digital Services		216	195

(a) Of which the acquisition of Asendia for €179 million (see Note 4.1 and Note 15.2(a)).

15.2 Change in the net book value of goodwill

(in € million)	2018	2017
Opening balance	2,332	2,119
Of which:		
• Gross amount	2,556	2,337
• Impairment	(225)	(218)
Acquisitions ^(a)	247	254
Translation adjustments ^(b)	(33)	(24)
Impairment ^(c)	(67)	(7)
Other	-	(10)
CLOSING BALANCE	2,478	2,332
Of which:		
• Gross amount	2,762	2,556
• Impairment	(284)	(225)

(a) Of which, in 2018, Asendia for €179 million (€30 million recognised in the value of investments in associates in 2017, €92 million generated by the additional stake acquired in 2018, €57 million generated by the revaluation of the previously held investment), Diadom Care for €31 million, Eukles for €11 million, Voxaly for €9 million, Alp SAS for €6 million and SEUR franchises in Spain for €5 million.

Of which in 2017, Asten Santé for €97 million, SPSR Express for €67 million, Jadlog for €39 million, Ametix group for €15 million, Stuart for €13 million and SEUR franchises in Spain and Portugal for €11 million.

(b) Of which in 2018 DPD Russia for €-14 million, SPSR Express Russie for €-8 million and DPD Polska for €-4 million.

Of which in 2017, DPD Russia for €-17 million, GeoPost UK for -4€million, Jadlog for €-5 million, DPD Poland for €+7 million.

(c) Goodwill of DPD Russia was depreciated in 2018, for €57 million and goodwill of Resto In was depreciated for €10 million. Goodwill of Resto In was depreciated in 2017 for €7 million.

15.3 Impairment

Goodwill is allocated to Cash Generating Units as shown in Note 15.1.

15.3.1 Impairment of goodwill

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

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

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

2018

	Discount rate		Standard growth rate	Number of projected years
	Euro zone	Other		
Services-Mail-Parcels	6.0%	-	2%	5
GeoPost	7% to 8.3%	7.4% to 21.3%	2%	5
La Banque Postale	8.5%	-	2%	5
Digital Services	6.7%	-	2%	5

2017

	Discount rate		Standard growth rate	Number of projected years
	Euro zone	Other		
Services-Mail-Parcels	7.2%	8.1%	2%	5
GeoPost	7.3% to 8.2%	7.9% to 16%	2%	5
La Banque Postale	8.7% to 9%	-	1%	5
Digital Services	6.8%	-	2%	5

The tests performed on the Group's goodwill in 2018 led to depreciate DPD Russia for amount of €57 million and Resto In for an amount of €10 million.

In 2017, the tests performed on the Group's goodwill in 2017 led to depreciate Resto in's goodwill for an amount of €7 million.

Sensitivity analysis

A one point increase in the discount rate or a half point decrease in the growth rate in perpetuity would not have had a material impact on the results of the impairment tests as at 31 December 2018.

15.3.2 Impairment of CGUs without goodwill

La Poste's Mail CGU did not show any indication of impairment as at 31 December 2018.

NOTE 16 INTANGIBLE ASSETS

(in € million)	Software, patents and licences	Intangible assets in progress	Other intangible assets	Total
GROSS AMOUNT				
Balance as at 31/12/2016	1,760	295	1,082	3,137
Acquisitions	78	309	76	463
Disposals	(38)	(9)	(37)	(84)
Change in consolidation scope	14	1	48	63
Transfers	92	(225)	138	5
Translation adjustments	(1)	-	(1)	(1)
Balance as at 31/12/2017	1,905	371	1,306	3,583
Acquisitions	81	357	74	513
Disposals	(47)	(4)	(6)	(58)
Change in consolidation scope	29	4	47	80
Transfers	144	(238)	106	11
Translation adjustments	(1)	-	-	(1)
BALANCE AS AT 31/12/2018	2,111	489	1,528	4,127
DEPRECIATION AND IMPAIRMENT				
Balance as at 31/12/2016	(1,387)	-	(833)	(2,221)
Depreciation for the year	(188)	-	(112)	(300)
Impairment	(1)	-	(8)	(8)
Reversals on disposals	37	-	36	73
Change in consolidation scope	(11)	-	(14)	(25)
Translation adjustments	-	-	-	1
Balance as at 31/12/2017	(1,550)	-	(931)	(2,481)
Depreciation for the year	(186)	-	(133)	(319)
Impairment	(1)	-	6	5
Reversal on impairment	-	-	1	2
Reversals on disposals	46	-	6	51
Change in consolidation scope	(14)	-	(13)	(26)
Transfers	(1)	-	-	-
Translation adjustments	1	-	-	1
BALANCE AS AT 31/12/2018	(1,705)	-	(1,062)	(2,768)
Net amount				
As at 31/12/2017	355	371	375	1,102
AS AT 31/12/2018	405	489	465	1,359

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

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

(in € million)	Land and buildings	Machinery and equipment	Vehicles	Other	Assets under construction	Total
GROSS AMOUNT						
Balance as at 31/12/2016	5,064	2,649	882	3,164	333	12,093
Acquisitions	39	112	130	161	462	903
Disposals	(113)	(70)	(102)	(192)	(2)	(479)
Change in consolidation scope	17	102	25	12	-	157
Transfers	156	61	1	76	(351)	(57)
Translation adjustments	(6)	(2)	(3)	(4)	-	(15)
Balance as at 31/12/2017	5,158	2,853	932	3,218	442	12,603
Acquisitions	20	125	150	161	551	1,008
Disposals	(80)	(60)	(149)	(110)	(2)	(400)
Change in consolidation scope	12	12	1	9	-	35
Transfers	295	61	2	81	(454)	(15)
Translation adjustments	(2)	(2)	(5)	(3)	(1)	(13)
BALANCE AS AT 31/12/2018	5,402	2,990	932	3,357	537	13,217
DEPRECIATION AND IMPAIRMENT						
Balance as at 31/12/2016	(1,643)	(2,086)	(392)	(2,310)	-	(6,431)
Depreciation for the year	(170)	(171)	(107)	(237)	-	(685)
Impairment	(16)	(2)	(7)	-	-	(25)
Reversals on impairment	30	1	-	-	-	31
Reversals on disposals	39	69	77	183	-	369
Change in consolidation scope	(6)	(70)	(18)	(9)	-	(103)
Transfers	6	3	-	(4)	-	6
Translation adjustments	2	2	2	2	-	8
Balance as at 31/12/2017	(1,758)	(2,255)	(445)	(2,374)	-	(6,831)
Depreciation for the year	(170)	(174)	(110)	(238)	-	(692)
Impairment	(12)	-	(8)	-	-	(20)
Reversals on impairment	14	2	-	-	-	15
Reversals on disposals	30	57	121	103	-	311
Change in consolidation scope	(5)	(11)	(1)	(7)	-	(23)
Transfers	4	-	-	2	-	6
Translation adjustments	1	1	3	2	-	6
BALANCE AS AT 31/12/2018	(1,897)	(2,380)	(439)	(2,513)	-	(7,228)
NET AMOUNT						
As at 31/12/2017	3,400	598	488	843	442	5,771
AS AT 31/12/2018	3,505	610	493	844	537	5,989
Of which finance leases						
As at 31/12/2017	105	17	1	8	-	131
As at 31/12/2018	98	8	1	8	-	115

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

NOTE 18 EQUITY ASSOCIATES AND JOINT VENTURES

18.1 Change in investments in associates and joint ventures

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18.2 Information on CNP Assurances

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18.1 Change in investments in associates and joint ventures

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

(in € million)	CNP Assurances	BRT ^(b)	Real Estate division	Yurtici Kargo	AEW Europe	Asendia ^(c)	NINJA Logistics	Other	Total	Companies with negative net assets ^(a)	
										La Poste Mobile	Total
Nature of control	Associate	Associate	Associate/ Joint control	Associate	Associate	Joint control	Associate			Joint control	
Balance as at 31/12/2016	3,169	-	28	23	51	56	-	99	3,426	(46)	(46)
Group share in the profit or loss	257	31	3	1	7	23	-	(1)	320	(15)	(15)
Dividend payments	(111)	(4)	(4)	(1)	(4)	(1)	-	(3)	(128)	-	-
Net change in the fair value of financial instruments and AFS securities	56	-	-	-	-	-	-	1	57	-	-
Change in consolidation scope	-	476	-	-	-	(4)	-	4	476	-	-
Capital increase	-	-	4	-	-	-	-	1	5	20	20
Transfers and reclassifications	(3)	-	(2)	-	-	2	-	-	(3)	-	-
Translation adjustments	(46)	-	-	(4)	-	-	-	(6)	(56)	-	-
Balance as at 31/12/2017	3,322	503	30	19	54	76	-	94	4,098	(40)	(40)
Group share in the profit or loss	263	32	3	2	5	3	(14)	2	295	(19)	(19)
Dividend payments	(116)	(8)	(2)	(1)	(7)	-	-	(2)	(137)	-	-
Net change in the fair value of financial instruments and AFS securities	(219)	-	-	-	-	-	-	-	(219)	-	-
Change in consolidation scope	(4)	-	-	-	-	(78)	64	1	(17)	-	-
Capital increase	-	-	3	-	-	-	-	3	7	20	20
Other changes	(3)	-	(1)	-	-	(1)	-	-	(5)	6	6
Translation adjustments	(37)	-	-	(4)	-	-	1	(1)	(40)	-	-
BALANCE AS AT 31/12/2018	3,207	526	32	15	53	-	52	98	3,982	(32)	(32)

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

(b) Includes a €513 million goodwill as at 31 December 2018.

(c) See Note 4.1.

18.2 Information on CNP Assurances

(in € million)	31/12/2018	31/12/2017
Interest percentage*	20.15%	20.15%
Fair value of the Group's investment (based on market price)	2,562	2,665

* See Note 2.3.3.

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

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

(in € million)	31/12/2018	31/12/2017
Equity attributable to owners of the parent	17,781	18,258
Restatements (deeply-subordinated notes)	(1,886)	(1,790)
Equity at % of interest held by Le Groupe La Poste	3,203	3,318
Net goodwill	4	4
INVESTMENT VALUE ON LE GROUPE LA POSTE BALANCE SHEET^(a)	3,207	3,322

(a) The value of the investment in the CNP Assurances associate corresponds to the 20.15% share of Le Groupe La Poste in CNP Assurances' equity as published at 31 December 2018, restated for deeply-subordinated notes (excluding Group part) issued to third parties.

NOTE 19 OTHER FINANCIAL ASSETS

(in € million)	31/12/2018		31/12/2017	
	Current	Non-current	Current	Non-current
Unconsolidated investments	-	340	-	372
Provisions for unconsolidated investments	-	(37)	-	(33)
Deposits and guarantees paid	10	25	7	22
Provisions for deposits and guarantees paid	(1)	-	-	-
Financial derivatives	14	113	38	127
Loans for local authority housing	3	59	4	61
Provisions for loans for local authority housing	-	(23)	-	(25)
Financial assets held for investment purposes	450	-	620	50
Other financial assets	56	49	44	51
Provisions for other financial assets	-	(26)	-	(25)
TOTAL	532	500	712	599

Unconsolidated equity investments

(in € million)	31/12/2018			31/12/2017
	Percentage held	Gross amount	Net amount	Net amount
Crédit Logement	6%	102	102	98
XAnge Capital 2	36%	12	12	12
XAnge Digital 3	33%	20	20	20
KissKissBankBank (LBP)	100%	24	24	40
Mandarine Gestion (LBP)	12%	16	16	14
Domiserve (LBP)	100%	27	27	15
LBP IC (LBP)	100%	15	15	-
Other - French companies	-	56	49	59
Other - foreign companies (see details in Note 43)*	-	68	37	79
TOTAL	-	340	303	338

* Of which, as at 31 December 2018, companies acquired by SEUR GeoPost for €22 million and by GeoPost Spain for €8 million.

And, as at 31 December 2017, Ninja Logistics for €64 million (acquired in late December 2017), a Singaporean company, which was accounted for under the equity method in 2018.

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

Financial derivatives

The financial derivatives line represents instruments put in place to manage the interest rate and currency risks on debt. They must therefore be looked at together with "Bonds and other financial debt". A breakdown of these derivatives can be found in Note 27.5.

Deposits and guarantees

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

Financial assets held for investment purposes

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

(in € million)	31/12/2018	31/12/2017
Bonds	—	50
Term deposits accessible after more than 3 months	400	400
UCITS	50	80
Negotiable debt securities (maturity 3 to 12 months)	-	140
TOTAL	450	670

Loans for local authority housing

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

NOTE 20 BANKING ACTIVITIES FINANCIAL ASSETS

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20.2 Credit institutions loans and receivables	336	20.5 Banking accruals	337
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20.1 Customer loans and receivables

(in € million)	31/12/2018	31/12/2017
Ordinary customer receivables	670	713
Other customer receivables	126	57
Factoring	4,446	2,335
Provisions	(115)	(132)
Customer sight loans and receivables	5,127	2,972
Term loans	-	220
Short-term credit facilities	8,289	5,063
Home loans	70,606	59,813
Loans to legal entities	-	10,445
Loans to local public sector	-	5,776
Equipment loans	3,639	-
Loans to financial customers	394	-
Other loans	5,683	-
Securities received under repurchase agreements	15	1
Provisions	(616)	(451)
Term customer loans and receivables	88,010	80,868
Finance lease transactions	2,533	2,234
Securities equivalent to customer loans and receivables	-	1,974
TOTAL	95,671	88,048

An assessment of the risk exposure of customer loans (primarily home loans) and of impairments is shown in Note 33.2.5.

The "Securities equivalent to customer loans and receivables" line primarily corresponds to certain financial assets classified in the "available for sale" category, which were reclassified to "loans and receivables" on 1 July 2008 pursuant to the IAS 39 amendment published in October 2008 (see Note 34.5).

20.2 Credit institutions loans and receivables

(in € million)	31/12/2018	31/12/2017
Ordinary accounts receivable	254	311
Overnight deposits and loans	15,513	10,007
Sight loans and receivables – credit institutions	15,767	10,318
Term accounts and loans	70,827	72,897
Securities received under repurchase agreements	665	225
Term deposits and loans – credit institutions	71,492	73,123
Subordinated and participating loans	93	172
Securities equivalent to loans and receivables due from credit institutions	-	475
TOTAL	87,352	84,088

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

An assessment of credit risks on receivables due from credit institutions (Banking activities) is set out in Note 33.2.5.

20.3 Securities portfolio

(in € million)	31/12/2018	31/12/2017
Government securities and similar	20,298	18,407
Bonds and other fixed-income securities	3,284	2,327
Securities classified at amortised cost	23,582	20,734
Government securities and similar	5,051	6,781
Bonds and other fixed-income securities	10,657	9,542
Equities and other variable-income securities	80	1,326
Financial assets at fair value through OCI	15,788	17,650
Government securities and similar	1,842	950
Bonds and other fixed-income securities	5,538	6,058
UCITS	1,060	61
Debt instruments	8,441	7,070
Equity instruments	148	-
Loans and advances	1,571	-
Financial assets at fair value option through profit or loss	-	35
Interest-rate derivatives	1,424	1,366
Foreign exchange derivatives	16	30
Derivatives/Positive Fair Value	1,440	1,396
Financial assets at fair value through profit or loss	11,600	8,501
Revaluation adjustment on hedged portfolios (fair value hedges)	82	69
TOTAL	51,052	46,953

The general principles governing the recognition of securities and derivatives for the Banking activities are set out in Note 2.14.

An assessment of credit risks for the main items in the Banking activities securities portfolio can be found in Note 33.2.5.

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

20.4 Other banking financial assets

(in € million)	31/12/2018	31/12/2017
Deposits and guarantees paid	792	725
Other miscellaneous receivables ^(a)	448	437
Accrued income	368	331
TOTAL	1,608	1,493

(a) Other receivables primarily consist of ongoing transactions with customers.

20.5 Banking accruals

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

Accruals – Assets

(in € million)	31/12/2018	31/12/2017
Prepaid expenses	48	40
Collection accounts	16	47
Settlement accounts for securities transactions	1	2
Other insurance assets	601	529
Other accruals – Assets	848	1,197
TOTAL	1,513	1,815

Accruals – Liabilities

(in € million)	31/12/2018	31/12/2017
Settlement accounts for securities transactions	7	8
Other accruals – Liabilities	2,353	2,090
TOTAL	2,360	2,099

NOTE 21 INVENTORIES AND WORK-IN-PROGRESS

(in € million)	31/12/2018			31/12/2017
	Gross amount	Provisions	Net amount	Net amount
Raw materials, supplies inventories and goods inventories	122	(2)	120	109
Finished and semi-finished product inventories and work in progress	13	(1)	12	11
TOTAL	134	(2)	132	121

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

NOTE 22 TRADE AND OTHER ACCOUNTS RECEIVABLE

(in € million)	31/12/2018	31/12/2017
Advances and deposits paid	147	123
Trade receivables and related accounts	2,402	2,300
Provisions on trade receivables and related accounts	(105)	(96)
International mail receivables	770	664
CICE tax credit receivable	337	410
Other receivables	624	555
Provisions on other receivables	(20)	(27)
TOTAL	4,156	3,930

International mail receivables (€770 million) are primarily owed by foreign post offices for the delivery of the mail that they have passed on in France.

Likewise, trade and other payables include an international mail service liability (see Note 31) of €674 million owed to foreign postal operators for mail to be delivered outside of France passed on by La Poste to these post operators for delivery.

NOTE 23 CASH AND CASH EQUIVALENTS

23.1 Cash and cash equivalents

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23.2 Cash and central bank deposits (Banking activities)

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23.1 Cash and cash equivalents

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

(in € million)	31/12/2018	31/12/2017
Cash equivalents	1,637	1,301
Cash at bank	645	430
Cash on hand	4	4
TOTAL	2,286	1,735

Cash equivalents

Cash equivalents consisted mainly of term deposits accessible at any time, or within three months, for an amount of €1,074 million (€883 million as at 31 December 2017), and units in money-market units for an amount of €530 million (€351 million as at 31 December 2017).

23.2 Cash and central bank deposits (Banking activities)

(in € million)	31/12/2018	31/12/2017
Cash on hand (including cash held at post offices)	944	901
Central banks	1,062	2,424
TOTAL	2,007	3,325

NOTE 24 ASSETS HELD FOR SALE

The assets held-for-sale as at 31 December 2018 and as at 31 December 2017 corresponded to properties under promise of sale.

NOTE 25 EQUITY

25.1 Share capital	339	25.3 Non-controlling interests	339
25.2 Hybrid debt	339		

25.1 Share capital

As at 31 December 2018, the share capital amounted to €3.8 billion, divided into 950 million ordinary shares with a par value of €4 each. As at that date, 73.7% of the capital was owned by the French government and 26.3% was owned by Caisse des Dépôts.

Background

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

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

April 2011 capital increase

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

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

- share capital increase of €1 billion through an increase of the par amount of the existing shares from €2 to €4, via the incorporation of reserves;
- issue of 350 million new shares with equity warrants (ABSA) with a unit price of €6, including a par value of €4 and an issue premium of €2, i.e. a total of €2.1 billion including €1.4 billion in capital and €700 million in issue premiums;
- an equity warrant (BSA) is attached to each new share. The BSAs will entitle their holders to subscribe to 100 million new

shares between 1 March and 30 April 2013 for a total amount of €600 million, including €400 million in capital and €200 million in issue premiums. The government and Caisse des Dépôts have made an irrevocable commitment to exercise all of their BSAs no later than the last day of the exercise period (i.e. 30 April 2013);

- inclusion of Caisse des Dépôts in the Group's governing bodies, with three representatives on the Board of Directors.

A first payment of €1.05 billion for the capital issued was made in April 2011, and included €467 million from the government and €583 million from Caisse des Dépôts. The second payment of €1.05 billion, which was identical to the first, was paid in April 2012.

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

25.2 Hybrid debt

April 2018 hybrid securities issue

In April 2018, Le Groupe La Poste carried out a public €750 million hybrid securities issue denominated in euros. The securities issued are undated and have an initial call date of 29 January 2026. According to IAS 32 standard, they were recorded in consolidated equity.

25.3 Non-controlling interests

As at 31 December 2018, non-controlling interests were not significant, individually or collectively.

Non-controlling interests amounted to €196 million as at 31 December 2018.

NOTE 26 PROVISIONS FOR CONTINGENCIES AND LOSSES

26.1 Specific provisions for the Insurance and Banking activities	340	26.2 Other provisions for contingencies and losses	341

26.1 Specific provisions for the Insurance and Banking activities

As at 31 December 2018, underwriting provisions for the Insurance and Banking activities, classified as current provisions for contingencies and losses, broke down as follows:

(in € million)	Home Loan Savings risk	Insurance underwriting provisions	Total
Balance as at 31/12/2016	362	2,231	2,593
Addition for the year	-	182	182
Reversal for the year	(68)	(45)	(114)
Other movements	-	7	7
Balance as at 31/12/2017	294	2,376	2,669
Addition for the year	-	191	191
Reversal for the year	(42)	(52)	(93)
Other movements	-	(35)	(35)
BALANCE AS AT 31/12/2018	252	2,479	2,732

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

This provision was subject to a net decrease of €42 million over the financial year, which broke down as follows:

(in € million)	Amounts collected	PEL and CEL amounts granted	2018 provisions	2017 provisions	Net movements 2017/2018
Age					
Over 10 years	6,789	-	68	68	-
4 to 10 years	16,025	-	126	104	22
Under 4 years	4,641	-	38	95	(56)
Total Home loan savings plans (PEL)	27,454	24	232	267	(35)
Total Home Loan savings accounts (CEL)	4,348	165	20	27	(6)
TOTAL	31,803	190	252	294	(42)

26.2 Other provisions for contingencies and losses

As at 31 December 2018, the other provisions for contingencies and losses broke down as follows:

(in € million)	Employee-related disputes	Other disputes	Other	Total
Non-current provisions	161	16	152	328
Current provisions	84	161	322	567
Balance as at 31/12/2016	245	177	473	895
Addition for the year	38	57	82	177
Reversal for use	(28)	(43)	(56)	(126)
Reversal of provisions no longer required	(165)	(53)	(58)	(277)
Other movements	-	(7)	4	(3)
Non-current provisions	43	19	145	207
Current provisions	47	112	300	459
Balance as at 31/12/2017	90	131	446	667
First time application of IFRS 9 ⁽¹⁾	-	-	63	63
Addition for the year	24	57	74	155
Reversal for use	(21)	(13)	(110)	(145)
Reversal of provisions no longer required	(25)	(63)	(31)	(118)
Other movements	2	4	(13)	(7)
Non-current provisions	18	3	104	124
Current provisions	52	114	325	491
BALANCE AS AT 31/12/2018	70	117	428	615

(1) The impact of the first-time adoption of IFRS 9 is provision for financing commitments (see Note 3.C).

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

Provisions for other disputes relate to disputes brought before administrative, civil or commercial courts and include a €50 million provision covering the financial penalty issued by the ACPR to La Banque Postale (see note 1.5).

As at 31 December 2018, **other provisions** included:

- a €136 million covering the penalty issued by the French Competition Authority against two companies of the Group;
- a €32 million provision covering the negative net asset value of equity associates and joint ventures, compared to €40 million as at 31 December 2017 (see Note 18.1);
- miscellaneous risks linked to the operational activity of the Group.

NOTE 27 BONDS AND OTHER FINANCIAL DEBT

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27.2	Breakdown of debt by maturity	343	27.6	Other financial debt	346
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27.1 Breakdown of financial debt

(in € million)	31/12/2018		31/12/2017	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
Financial debt at amortised cost	1,136	3,839	380	4,129
Bonds	800	3,661	-	3,960
Finance leases	11	91	9	105
La Poste savings bonds	54	-	56	-
Commercial paper	150	-	150	-
Current bank facilities	22	-	41	-
Deposits and guarantees received	70	26	99	25
Other borrowings at amortised cost	29	62	25	39
Borrowings designated at fair value	-	683	504	705
Hedged borrowings	-	435	-	415
Subordinated debt	-	435	-	415
Financial derivative liabilities relating to bonds	9	46	4	63
Interest accrued not due on borrowings	79	-	96	-
Medium and long-term bonds and other financial debt (non-current)	-	5,004	-	5,313
Short-term bonds and other financial debt (current)	1,225	-	984	-
TOTAL CURRENT AND NON-CURRENT	6,229		6,297	

27.2 Breakdown of debt by maturity

	Maturity of <1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
(in € million)	2018	2017	2018	2017	2018	2017	2018	2017
Financial debt at amortised cost								
Bonds	800	-	1,421	1,797	2,240	2,163	4,460	3,960
Finance leases	11	9	91	25	-	80	101	114
La Poste savings bonds	54	56	-	-	-	-	54	56
Commercial paper	150	150	-	-	-	-	150	150
Current bank facilities	22	41	-	-	-	-	22	41
Deposits and guarantees received	70	99	23	23	2	2	95	125
Other borrowings at amortised cost	29	25	62	39	-	-	91	63
Borrowings at fair value								
Bonds	-	504	683	-	-	705	683	1,209
Hedged borrowings								
Subordinated debt	-	-	-	-	435	415	435	415
Financial derivative liabilities	9	4	46	-	-	63	56	68
Accrued interest not due	79	96	-	-	-	-	79	96
TOTAL	1,225	984	2,326	1,884	2,677	3,429	6,229	6,297

27.3 Changes in financial debt

The following table shows the changes in financial debt in 2018 and 2017, and identifies the changes with an impact on cash and those without.

(in € million)	Bonds and other financial debt	Debt-related derivative assets (including security deposits)	Issue premiums and costs, cash payments on hedging operations	Non-banking CFS	La Banque Postale subordinated debt	GROUP CFS
Balance as at 31/12/2016	6,900	(243)	-	-	2,980	-
Flows with cash impact						
Proceeds from new borrowings	260	-	-	260	150	410
Repayment of borrowings	(747)	-	-	(747)	-	(747)
Other cash flows from financing activities	(107)	-	-	(107)	-	(107)
Flows without cash impact						
Non cash changes in finance leases debt	20	-	-	-	-	-
Changes in consolidation scope and exchange rates	48	-	-	-	-	-
Changes in fair value (excluding La Banque Postale)	(65)	70	-	-	-	-
Other non-cash flows and reclassifications	(12)	9	-	-	(41)	-
Balance as at 31/12/2017	6,297^(a)	(164)^(a)	-	-	3,089	-
Flows with cash impact						
Proceeds from new borrowings ^(b)	890	-	-	890	-	890
Repayment of borrowings ^(c)	(925)	-	-	(925)	-	(925)
Other cash flows from financing activities	(55)	-	(12)	(66)	-	(66)
Flows without cash impact						
Non-cash changes in finance leases debt	9	-	-	-	-	-
Changes in consolidation scope and exchange rates	36	-	-	-	-	-
Changes in fair value (excluding La Banque Postale) ^(d)	(21)	22	-	-	-	-
Other non-cash flows and reclassifications	(4)	15	-	-	(9)	-
BALANCE AS AT 31/12/2018	6,229^(a)	(127)^(a)	-	-	3,080	-

(a) See Note 28.1.

(b) **Proceeds from new borrowings**

La Poste issued a €500 million bond on 30 November 2018, at a fixed rate of 1.45% over a period of 10 years (maturity November 2028). Furthermore, commercial paper was issued for €380 million.

(c) **Repayment of borrowing**

La Poste redeemed in 2018 a bond with a nominal value of €500 million, which was issued in 2008. This bond was recorded at fair value through profit or loss for the original issue. Furthermore, commercial paper was repaid for €380 million.

(d) **Changes in fair value (excluding La Banque Postale)**

In accordance with IFRS 9, some bonds backed by "fixed-for-floating" swaps are recognised at fair value through profit or loss.

The credit risk component of the change in fair value is recognised in "Other comprehensive income" (+€5 million in 2018, and +€8 million in 2017).

The corresponding swaps are also measured at fair value through profit or loss, in accordance with the general rule for measuring derivatives set out in IFRS 9.

27.4 Bonds and deeply subordinated debt

As at 31 December 2018, the Group bonds, which have a nominal value of over €500 million, broke down as follows:

Issue date	Maturity	Currency	Nominal rate	Nominal value (millions of currency units)	Accounting treatment
2003	2023	Euro	4.375%	580	Fair value
Other bonds at fair value	-	-	-	-	-
TOTAL BONDS AT FAIR VALUE	-	-	-	580	-
2004	2019	Euro	4.750%	580	Amortised cost
2006	2021	Euro	4.250%	1,000	Amortised cost
2012-2013	2024	Euro	2.750%	1,000	Amortised cost
2015	2025	Euro	1.125%	750	Amortised cost
2018	2028	Euro	1.450%	500	Amortised cost
Other bonds at amortised cost	-	-	-	640	-
TOTAL BONDS AT AMORTISED COST	-	-	-	4,470	-

The breakdown of the bond-rate by type of rate as at 31 December 2018 was as follows:

(in € million)	Debt breakdown before fixed-for-floating swaps		Impact of fixed-for- floating transactions	Debt breakdown after fixed-for-floating swaps	
	Amount	%	Amount	Amount	%
Fixed-rate borrowings	5,144	100%	(683)	4,460	87%
Floating-rate borrowings	-	-	683	683	13%
Of which borrowings covered by partial or total rate-refixing swaps (see note below)	-	-	683	-	-
TOTAL BORROWINGS	5,144	100%	-	5,144	100%

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

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

As at 31 December 2018, the floating-rate borrowings covered by these "rate re-fixing" swaps amounted to €683 million, i.e. 13.3% of total borrowings. These borrowings are still shown on the "Floating-rate borrowings" line.

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

Breakdown of debt by currency

All bonds are fully denominated in euros as at 31 December 2018.

The subordinated notes, which are denominated in US dollars, are hedged in a cash flow hedge of currency and interest rate risk via a cross-currency swap.

27.5 Non-banking activities derivatives

(in € million)	Fair value as at 31/12/2018		Fair value as at 31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives at fair value through profit or loss				
Fixed-for-floating derivatives	123	-	163	-
Floating-for-fixed derivatives	-	8	-	3
Total	123	8	163	3
Hedging derivatives				
Fair value hedges	-	-	-	-
Cash flow hedges	1	46	-	64
TOTAL DERIVATIVES RELATING TO DEBT	124	55	163	67
Other				
Currency swaps	3	1	1	-
Cash management funds derivatives	-	-	-	-
TOTAL NON-BANKING ACTIVITIES DERIVATIVES	127	56	163	67
Amortisable balance on interrupted hedging derivatives				
Cash flow hedging derivatives	7	-	-	2

27.6 Other financial debt

Finance leases

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

La Poste savings bonds

This line represents La Poste's savings bond liabilities. All of the bonds had matured by the end of 2018.

Commercial paper

Commercial paper issued by La Poste and not matured as at 31 December 2018 had maturities of three months or less and represented €150 million without change from 31 December 2017.

Deposits and guarantees paid

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

NOTE 28 GROUP NET DEBT

28.1 Group net debt position

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28.2 Changes to Group net debt

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28.1 Group net debt position

(in € million)	Note	31/12/2018	31/12/2017
Cash and cash equivalents (balance sheet line)	23	2,286	1,735
Debt-related derivative assets	19	127	164
Investment securities with initial maturities of over 3 months and UCITS	19	450	670
Net financial receivable against La Banque Postale		(76)	(93)
Cash and other asset items (1)		2,787	2,477
Medium and long-term bonds and other financial debt	27	5,004	5,313
Short-term bonds and other financial debt	27	1,225	984
Gross debt (2)		6,229	6,297
NET DEBT (2)-(1)		3,442	3,820
Increase (Decrease) in net debt as at 31 December 2018		(378)	-

28.2 Changes to Group net debt

(in € million)	Cross-references	31/12/2018	31/12/2017
Cash flows from operating activities	CFS^(a)	962	1,827
Cash flows from investing activities	CFS	(684)	(1,701)
Cancellation of the change in cash management financial assets	CFS	(220)	200
Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets^(b)		(904)	(1,501)
Undated hybrid subordinated notes	CFS	744	-
Dividends paid to the government	CFS	(171)	(171)
Purchase of non-controlling interests	CFS	(23)	(21)
Net financial interest expense		(157)	(159)
Change in the fair value of financial instruments		(10)	(5)
Impact of changes in consolidation scope on gross debt		(36)	(48)
Increase in finance lease liabilities		(9)	(20)
Issue premiums and costs		(12)	-
Other items ^(c)		(5)	(3)
Cash flows and change in debt from financing activities		320	(426)
DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY		378	(101)
Net debt at the beginning of the period		(3,820)	(3,719)
Net debt at the end of the period		(3,442)	(3,820)

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

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

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

NOTE 29 EMPLOYEE BENEFITS

29.1	Change in provisions for employee benefits	348	29.4	Change in post-employment benefit commitments	350
29.2	Description of employee benefits	348	29.5	Analysis of post-employment benefit expenses	351
29.3	Actuarial assumptions	349	29.6	Expected cash outflows	351

29.1 Change in provisions for employee benefits

Provisions for employee benefits have changed as follows during 2018:

(in € million)	31/12/2017		Changes in consolidation scope	Increase	Decrease for use	Interest cost	Other changes	31/12/2018	
	Current	Non-current						Current	Non-current
Post-employment benefits for La Poste's government employees	9	246	-	4	(8)	5	(15)	8	233
Retirement benefits for the Group's contract staff	13	394	6	36	(13)	7	(7)	13	422
Pension plans for employees of foreign subsidiaries	-	52	-	3	(6)	1	2	-	52
Post-employment benefits	22	691	6	43	(27)	13	(20)	21	707
End-of-career arrangements	423	1,577	-	270	(430)	8	-	386	1,462
Severance payments	111	28	-	2	1	-	-	109	33
Long-term sick leave/long-term paid leave	57	38	-	6	(13)	-	-	35	53
Accrued leave	129	115	-	18	(15)	-	-	128	120
Other long-term benefits	1	14	-	2	(3)	-	-	1	13
Other benefits	298	195	-	28	(31)	-	-	272	218
TOTAL	743	2,463	6	341	(487)	21	(20)	679	2,388

29.2 Description of employee benefits

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

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

29.2.1 Pension commitments for government employees at La Poste

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

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

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

Other commitments for post-employment benefits include:

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

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

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

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

Pension commitments for the Group's foreign subsidiaries primarily relate to the GeoPost sub-group and the GeoPost UK subsidiary. GeoPost UK's commitments are partially covered by a pension fund.

29.2.5 End-of-career arrangements

La Poste employees may benefit, under certain conditions, from early end-of-career arrangement plans. These arrangements are offered to people who meet a minimum-age requirement from 53 to 60 years of age and according to certain conditions (position that is physically demanding or not, active or office roles, number of years of service, etc.).

During the term of the plan, the beneficiaries receive 70% of a full time remuneration while working in an operational activity for a smaller portion of the time.

The provisions relating to early end-of-career arrangement plans recognised as at 31 December 2018 factor in the expected enrolments to the plan available until 2020, as well as enrolments to the plans operating previously.

29.2.6 Other long-term benefits

These are paid leave schemes:

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

29.3 Actuarial assumptions

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

The main assumptions selected as at 31 December 2018 were as follows:

- likelihood of retaining working staff within the Group, life expectancy and estimates of future salary increases;
- retirement age assumptions for employees of foreign companies and employees governed by foreign collective bargaining agreements, which take account of local economic and demographic factors;
- an assumed average benefit increase of 2% (no change compared with 2017);
- provisions for retirement commitments relating to end-of-career arrangements that form part of agreements are calculated on the basis of the definite enrolments in these plans as at the balance-sheet date, as well as of Management's best estimate of likely future enrolments up until the expiry date of these agreements. A one-point increase in the expected rate of enrolment would have increased the provision by around €50 million as at 31 December 2018;
- the discount rates used for actuarial appraisals as at the balance-sheet date, determined with reference to a basket of AA-rated corporate bonds published by Reuters, were as follows:

Maturity	5 years	10 years	15 years	20 years
2018				
Euro zone	0.7%	1.3%	1.6%	1.7%
UK zone	2.0%	2.3%	2.5%	2.7%
2017				
Euro zone	0.4%	1.0%	1.6%	1.9%
UK zone	1.5%	2.1%	2.3%	2.5%

29.4 Change in post-employment benefit commitments

(in € million)	2018	2017
Commitment at the beginning of the period	900	940
Cost of services provided	40	41
Discount unwinding costs	17	17
Curtailment and settlement of plans	-	-
Benefits paid	(27)	(25)
Employee contributions	2	1
Actuarial (gain) loss relating to changes in assumptions	1	(76)
Actuarial (gain) loss due to experience adjustments	(30)	10
Translation adjustments	(1)	(10)
Change in consolidation scope	6	3
COMMITMENT AT THE END OF THE PERIOD	907	900
Plan assets at the beginning of the period	187	186
Expected return on assets	5	5
Employer contributions	9	7
Employee contributions	1	1
Benefits paid	(11)	(11)
Actuarial differences	(10)	7
Translation adjustments	(1)	(7)
PLAN ASSETS AT THE END OF THE PERIOD	179	187
Commitments	907	900
Plan assets	(179)	(187)
NET COMMITMENT	728	713
of which non-current provision	707	691
of which current provision	21	22

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

(in € million)	2018	2017
Actuarial (gain) loss at the beginning of the period	71	145
Actuarial (gain) loss relating to changes in assumptions	1	(76)
Actuarial (gain) loss due to experience adjustments	(30)	10
Actuarial differences on plan assets	10	(7)
ACTUARIAL (GAIN) LOSS AT THE END OF THE PERIOD	53	71

Breakdown of plan assets

Types of assets	31/12/2018	31/12/2017
Equities	18%	19%
Diversified investment funds	43%	43%
LDI funds (liability-driven investment)	19%	19%
Insurance contracts	16%	16%
Other	5%	3%

Discount rate sensitivity

A 50 basis point reduction in the discount rate would increase the Group's net post-employment benefit commitment by around €79 million.

29.5 Analysis of post-employment benefit expenses

(in € million)	2018	2017
Cost of services provided	40	41
Discount unwinding costs	17	17
Expected return on assets	(5)	(5)
EXPENSE (INCOME) FOR THE PERIOD	52	53

29.6 Expected cash outflows

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

(in € million)	Cash outflows
2019	24
2020	17
2021	18
2022	19
2023	20

As at 31 December 2018, the average duration of post-employment benefits was 18 years.

NOTE 30 BANKING ACTIVITIES FINANCIAL LIABILITIES

30.1 Liabilities to credit institutions	352	30.3 Debt evidenced by a certificate and other banking financial liabilities	353
30.2 Liabilities to customers	352		

30.1 Liabilities to credit institutions

(in € million)	31/12/2018	31/12/2017
Ordinary accounts payable	1,263	698
Other amounts due	15	26
Sight liabilities to credit institutions	1,279	724
Securities given under repurchase agreements	14,618	11,049
Term deposits and loans	2,980	2,382
Term liabilities to credit institutions	17,599	13,431
TOTAL	18,877	14,154

Securities given under repurchase agreements correspond to inter-bank and similar transactions.

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

	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
(in € million)	2018	2017	2018	2017	2018	2017	2018	2017
Sight liabilities to credit institutions	1,279	724	-	-	-	-	1,279	724
Term liabilities to credit institutions	17,016	12,650	230	414	353	367	17,599	13,431
TOTAL	18,295	13,373	230	414	353	367	18,877	14,154

30.2 Liabilities to customers

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

(in € million)	31/12/2018	31/12/2017
Livret A passbook savings accounts	60,616	59,934
Home loan savings plans (PEL) and Home Loan savings accounts (CEL)	31,805	32,118
Other special accounts	22,110	22,008
Special savings accounts	114,532	114,060
Ordinary trade payables	65,662	62,713
Customer borrowings	822	1,742
Term deposits	52	165
Equities and securities given under repurchase agreements	3,934	3,165
Other amounts due to customers	800	711
Liabilities to customers	71,270	68,496
TOTAL	185,802	182,556

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

30.3 Debt evidenced by a certificate and other banking financial liabilities

(in € million)	31/12/2018	31/12/2017
Subordinated debt ^(a)	3,080	3,089
Bonds	8,823	6,200
Certificates of deposit	8,110	5,172
Debt evidenced by a certificate	20,013	14,462
Guarantee deposits received	1,067	1,259
Financial liabilities at fair value through profit or loss ^(b)	631	302
Hedging derivatives	348	238
Other financial liabilities ^(c)	1,700	1,614
TOTAL	23,759	17,875

(a) The subordinated debt corresponds to La Banque Postale's bond issues.

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

(c) The "Other financial liabilities" include €461 million relating to put options granted to minority shareholders of consolidated subsidiaries.

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

(in € million)	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Debt evidenced by a certificate	8,356	5,603	1,698	2,528	9,959	6,332	20,013	14,462

NOTE 31 TRADE AND OTHER PAYABLES

(in € million)	31/12/2018	31/12/2017
Trade payables and related accounts	2,116	1,965
Tax and social security liabilities	1,906	1,838
Payable to suppliers of non-current assets	328	377
International mail payables	674	598
Customer advances and deposits	177	164
Other operating payables	231	212
TOTAL	5,432	5,154

ADDITIONAL INFORMATION

NOTE 32 INFORMATION ON RISKS EXCLUDING BANKING ACTIVITIES

32.1 Credit risk and counterparty risk	354	32.3 Interest-rate risk	355
32.2 Liquidity risk	354	32.4 Currency risk	356

The main purpose of these financial liabilities is to finance the Group's operating activities, ensure liquidity and allow for acquisitions. The Group takes out derivative instruments, mainly interest rate swaps and currency swaps in an effort to manage interest rate and currency risk associated with its financing in euro and in foreign currencies.

The Group also holds financial assets such as cash and cash equivalents and short-term investments, which are generated directly by its business activities and the associated risks of which (counterparty and liquidity) are managed daily.

Le Groupe La Poste takes a cautious approach to risk management based on a system of alerts and notional limits for each of the financial risks to which it is exposed through its financial activities. These limits and alerts are set down in a document called the "Limits Handbook", which is updated regularly based on changes in the business activities of the Financial Transactions and Treasury Department.

An execution report for the Limits Handbook is presented to La Poste's Audit Committee every year. In 2018, it contained no particular observations.

32.1 Credit risk and counterparty risk

Credit risk involves a risk of the Group suffering a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk mainly arises from investment securities, derivative instruments and trade receivables.

Investment securities

La Poste's cash and cash equivalents are invested in interest bearing accounts, bank term deposits and Negotiable Debt Securities (TCN) from a minimal short-term rating of A2/P2 at purchase. Credit risks are controlled by a system of limits representing the maximum nominal amount not to be exceeded per UCITS or issuer. The Group also excludes the more risky types of investment securities (structured products or products with unguaranteed capital).

In the event where an investment portfolio sees one of its short-term ratings fall below A2/P2 rating, this security must be sold "at best", unless the Group Financial Committee makes an overriding decision.

In addition, to limit the risk of loss on the asset investment portfolio (excluding cash UCITS), a maximum loss limit has been introduced. This limit represents the statistical loss on the asset investment portfolio within a 97.5% interval. Its calculation is based on including CDS for each security in the portfolio, weighted by its residual maturity.

Derivative instruments

La Poste is exposed to a risk of its market counterparties defaulting, given its presence in derivatives markets.

Exposure related to its instruments is assessed through the net market value of derivatives per counterparty after taking into account guarantees received or provided for collateralisation agreements.

Commitments with La Poste's counterparties are subject to systematic collateralisation agreements that reduce the risk of default at the franchise level.

Trade and other accounts receivable

Provisions are calculated on an individual basis, based on an assessment of the risk of non-recovery. No Group customer accounts for more than 10% of consolidated revenues.

32.2 Liquidity risk

The Group strives to have sufficient financial resources to finance current business activities and the capital expenditure needed for future growth at all times. The aim of cash management is to find resources at the lowest cost and ensure they can be obtained at any given moment.

Liquidity risk is measured *via* monthly provisions of cash and cash equivalents and dealt with by:

- negotiating confirmed credit facilities with financial institutions. The Group has a five-year €1 billion syndicated credit line expiring in March 2023 (renewable twice for one year), for which it has received commitments from the eleven banks in the banking pool (see Note 37.4.2);
- keeping at all times a minimum amount of cash and cash equivalents and investments over 3 months called "Security cash". This amount is set at €1.2 billion and is defined and monitored by the Group's Financial Committee;

- issuing short term Negotiable European Commercial Paper and Euro Commercial Paper;
- by the prospective monitoring of indicators linked to short and long term equity markets in order to anticipate liquidity crisis situations.

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

These liabilities do not have any specific clause likely to significantly modify the terms.

As at 31/12/2018

(in € million)	Balance sheet amount	2019 flows		2020 flows		2021-2023 flows		2024 flows and beyond	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Bonds	5,144	149	800	129	-	275	2,000	73	2,250
Borrowings at amortised cost	4,460	124	800	104	-	212	1,420	73	2,250
Borrowings at fair value	683	25	-	25	-	63	580	-	-
Subordinated debt	435	23	-	23	-	69	-	460	435
Other financial debt	515	-	328	-	35	-	106	-	46
Finance leases	101	-	11	-	18	-	55	-	18
La Poste savings bonds	54	-	54	-	-	-	-	-	-
Commercial paper	150	-	150	-	-	-	-	-	-
Current bank facilities	22	-	22	-	-	-	-	-	-
Deposits and guarantees received	95	-	70	-	5	-	14	-	7
Other borrowings at amortised cost	91	-	20	-	12	-	37	-	22
Derivatives	(71)	(30)	-	(30)	-	(92)	32	2	-
Derivative liabilities	56	(6)	-	(6)	-	(25)	34	2	-
Derivative assets	(127)	(25)	-	(24)	-	(67)	(2)	-	-
TOTAL	6,023	142	1,128	123	35	251	2,138	535	2,731

32.3 Interest-rate risk

The Group's interest rate risk stems from changes in market rates (principally Eonia and 3-month Euribor), which would result in higher interest expense on borrowings, lower returns on investments or the loss of opportunity when market conditions are more favourable than the historical average.

To better manage interest rate risk, the Group has established:

- an active strategy in the management of its bond debt based on the use of derivative instruments to take advantage of market opportunities and reduce the cost of its bonds;
- an active strategy in the management of its investments based on the use of derivatives to guarantee returns and adjust the Group's exposure to fluctuations in interest rates;
- prospective monitoring over 12 rolling months of its net debt and investment position indexed to market rates, and the fluctuation of financial income and expense resulting from adverse change

in market rates (triggering an alert when the estimated impact exceeds €10 million). Monitoring of this nature serves notably to allow active debt and investment management strategies to be adjusted as and to limit the impact of change in interest rates, upward or downward.

Sensitivity analysis

A uniform sudden 50-basis point increase in the market yield curve would not result in the increase in the Group's annual financial expense, after taking into account debt management derivative instruments (compared to an increase of €0.8 million as at 31 December 2017).

A uniform sudden 50-basis point increase in the market yield curve would result in a €10.1 million profit in income (compared with €9.2 million as at 31 December 2017), resulting from the change in the fair value of the debt recognised at fair value through profit or loss and of the debt management swaps.

32.4 Currency risk

The Group exercises international activities, from France or foreign subsidiaries, through its Services-Mail-Parcels and GeoPost business units.

In order to support its growing globalisation and the resulting currency risk, the Group has established a currency risk management Policy. This policy targets as a priority:

- acquisition flows of foreign currency investment securities;
- foreign currency financial debt and loans;
- foreign currency net assets held and consolidated by the Group.

This policy defines the governance, hedging conditions and materiality thresholds for these different types of exposure.

To date, and in accordance with the established thresholds and conditions, the Group uses currency derivative instruments backed:

- to its subordinated debt in US dollars (\$500 million), hedged at 100% using a euro dollar currency swap;
- to its US dollar equity investments, partly hedged by euro dollar currency swaps (\$34 million).

The bulk of these operating activities generates income and expenses denominated in the subsidiaries' functional and accounting currency. Residual currency risk related to operations only involves marginal amounts in relation to the size of the Group.

As at 31 December 2018, the accounting currency effect on revenue amounted to -€68 million, including -€19 million on the Brazilian real, -€18 million on the rouble and -€14 million on the pound sterling. The accounting impact of currency fluctuations on operating profit/(loss) was -€4 million in 2018.

NOTE 33 INFORMATION ON RISKS RELATING TO BANKING ACTIVITIES

33.1 Structural risk factors	356	33.4 Liquidity risk	378
33.2 Credit risk	356	33.5 Interest-rate risk	380
33.3 Market risk and hedging	372		

33.1 Structural risk factors

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

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

33.2 Credit risk

33.2.1 General framework

The Risk Department covers credit risk, specifically, the risk incurred in the event of default by a counterparty or counterparties considered as a single beneficiary within the meaning of Regulation (EU) No. 575/2013 of the European Parliament and Council on prudential requirements applicable to credit institutions and investment companies (the Capital Requirements Regulation or CRR).

The Management Board sets the common basic principles (strategic priorities, values, risk appetite, governance) validated by the Supervisory Board, on the basis of which each business line sets out its priorities for action and control of the associated risk, under the supervision of the Group Risk Department (DRG).

33.2.2 Significant increase in credit risk – the principles

The principles

La Banque Postale defines seven principles to assess increased credit risk in accordance with IFRS and the European Banking Authority's (EBA) guidelines defining the conditions for migration from bucket 1 to bucket 2.

Principle 1 – Credit risk monitoring: IFRS 9 indicates that the assessment of credit quality is carried out from the outset at the commitment level. This credit quality assessment from the initial recognition must be carried out at each year-end to determine the allocation of the asset concerned.

La Banque Postale considers that a financial instrument is classified as sensitive if its credit quality has deteriorated compared to the initial recognition (comparison of the asset's credit quality in relation to its situation at the date of entry in the balance sheet or commitment date for off-balance sheet instruments).

Principle 2 – Rating indicator to monitor credit quality: The Group monitors the credit risk of each contract based on a counterparty credit quality rating system. Consequently, the rating for a contract at any given time is determined on the basis of the counterparty's rating at that time. At any given time, all contracts for a single third party have the same rating.

To assess any deterioration in credit risk, the Bank has a rating system based on:

- internal rating models used to manage and monitor risks; and
- a database that collects and stores external ratings.

The Bank's risk management monitoring systems collect information about the rating at the start of the commitment and store it with the aim of identifying significant increases in credit risk along with the latest known rating in order to comply with the 1st principle.

When the Bank does not have rating models or a rating collection system (so does not use the rating as the portfolio entry data item), it can use other assessment factors. For portfolios with an internal and/or external rating, the assessment of the significant increase in credit risk is based on the rating, along with quantitative and/or qualitative analysis by the business line concerned, if applicable.

Principle 3 – Monitoring of credit quality with the addition of a backstop: In addition to principle 1, the Bank adds an absolute threshold criteria. The Group uses a combined approach with a relative then an absolute threshold.

La Banque Postale group's absolute threshold is based on two indicators:

- rating indicator: the absolute threshold where the level of credit quality is considered to be very deteriorated is set by asset type;
- arrears indicator: payment arrears of over 30 days. According to IFRS 9, payment arrears of over 30 days are considered to constitute a significant increase in credit risk as arrears of over 30 days indicate lower credit quality.

Principle 4 – Use of the 12 month indicator for retail customers: The assessment of significant increase in credit risk involves assessing the risk of default over the asset's remaining lifetime at each year-end. Instead of assessing the change in risk of default over the lifetime, IFRS 9 allows the use of a 12-month indicator if this assessment is a reasonable estimate of the risk at maturity.

Principle 5 – The low credit risk concept: IFRS 9 allows the use of the low credit risk concept at year-end. A financial instrument is considered to be low risk when its credit risk has not significantly increased since its initial recognition. The concept of "Low Credit Risk" may be equivalent to a universal definition such as "investment grade" which, according to CRR regulations, corresponds to a credit

level of 3 or less. This exemption only applies to debt securities in accordance with EBA guidelines.

La Banque Postale does not use the Low Credit Risk exemption. However, this exemption may be invoked for debt securities, during bucket validations in accordance with principle 6.

Principle 6 – consideration of qualitative information: In the non-retail customer portfolio, the presumption of migration to bucket 2 requires a specific qualitative analysis by the Watch List Committee to confirm or reject the significant deterioration according to the rating indicator.

An asset restructured due to the counterparty's financial difficulties remains in default for 12 months, then if no incident has been reported, it moves back to bucket 2 for a period of 24 months in accordance with prudential regulations.

Principle 7 – migration to bucket 2 before default: in accordance with IFRS 9, the Bank must identify, as far as it is possible to do so, any assets that have sustained a significant increase in credit risk before they default. Exceptionally, certain commitments may be exempt from migration to bucket 2 before default.

The assessment process for a significant increase in credit risk

The operational procedures implemented enable monitoring and/or detection of events indicating the possible deterioration of the credit quality of a counterparty.

The criteria for bucket 2 classification of a commitment are described by exposure class:

- Retail customers – private individuals ;
- Retail customers – professionals ;
- Central administrations & Central banks ;
- Institutions ;
- Corporate customers ;
- Public sector entities.

The criteria do not constitute an exhaustive list and the relevance of the information must be assessed according to the observed customer segment (with the exception of retail customers). Other events indicating credit quality deterioration or risk-generating facts may be taken into account following an analysis carried out by the risk unit concerned.

These events are considered by the Group Risk Department business lines, which have good knowledge of their counterparties or the related customer groups.

The operational entities are responsible for the exposure that they generate and must immediately detect events that raise concern about a deterioration in the credit quality of their customers.

It should be noted that all assets that are not included in bucket 3 or bucket 2 are classified in bucket 1. These are assets with no significant increase in credit risk since their initial recognition.

33.2.3 Provisioning – methodological approach in relation to expected credit loss

The expected credit loss concept

The methodology for calculation of Expected Credit Losses (ECL) must reflect a measurement of the possible probabilistic amounts, taking into account the time value of money and all available information. This methodology was described in Note 2 (Bucket 1 and Bucket 2 provisioning methodology).

12 month expected credit loss ($ECL_{12\text{ month}}$)

At each year-end, when the risk associated with a commitment has not significantly increased since its initial recognition, the Bank assesses the impairment for credit loss of this exposure at the amount of expected credit loss for the next 12 months.

The $ECL_{12\text{ month}}$ represents the portion of expected credit losses at the maturity of a financial instrument resulting from default events that are possible within 12 months after the closing date.

This formula applies to all commitments classified in bucket 1 with maturities of one year or less.

Expected credit loss at maturity (ECL_{lifetime})

At each year-end, when the risk associated with a commitment has not significantly increased since its initial recognition, the Bank assesses the impairment for credit loss of this exposure at the amount of expected credit loss at its maturity.

Definition of the parameters for calculating the expected credit loss

La Banque Postale calculates the ECL using three main components: the probability of default, the loss in the event of default and the exposure to default.

The ECL parameters are calculated based on the historical data used for prudential regulatory requirements. This data is adjusted to reflect the economic conditions at the date of the ECL assessment.

Maturity refers to the final payment date of a loan commitment or financial instrument, at which the amount loaned and the interest must be paid, or when the authorisation amount or date ends.

It corresponds to the maximum contractual period including extension options, with the exception of revolving type products, renewable credit cards and overdrafts for which behavioural maturity must be used.

For contracts without a contractual maturity, the maximum maturity is 12 months while, in the event of debtor insolvency, the Bank would contest the overdraft authorisation within a period of less than 12 months, in accordance with French Banking law.

Renewable loans are financial instruments for which there is no fixed maturity, no amortisation plan and no contractual termination period. The maturity selected for these instruments depends on the lifetime estimated by the Bank, which may exceed the duration

of contractual commitment. The maturity selected at Group level is the behavioural maturity.

Probability of Default (PD): IFRS 9 introduces the concept of expected credit loss and, indirectly, the concept of probability of default adjusted to the situation at the closing date (PD_{Pit}). This parameter does not correspond to the average over the cycle (PD_{TTc}) under the prudential framework in force for the internal approach. This variable makes it possible to estimate the probability of a commitment defaulting over a given period. Estimates of default probability, referred to as "Point in Time" (PiT) estimates, are based on the future and current assessment and are linked to the customer and product.

The "point in time" probability of default is used for portfolios for which the Group has an internal rating system.

Loss Given Default (LGD): The Loss Given Default corresponds to the ratio between the contractual and expected cash flows taking into account discounting effects and other expenses committed at the instrument's default date. The LGD is expressed as a percentage of the exposure at default.

This parameter in IFRS 9 differs from the Basel concept. Prudentially, the loss given default is restated for the prudent margin, the downturn effect and other expenses. IFRS 9 does not contain any specific indications with regard to the observation period and the collection of the historical data used to calculate the LGD parameters. This parameter must take into account forward looking and passage of time concepts.

The Group has chosen to use an adjusted modelled LGD, in accordance with IFRS 9, for portfolios with a loss model in the event of default, depending on the type of product and the guarantee, and may determine an LGD at the recommendation of an expert, according to the segment, product and type of guarantee, to be reviewed at least once a year.

Exposure at Default (EAD): The exposure corresponds to the calculation basis for the amount of expected credit loss. It is based on the value exposed to credit risk, whilst taking into account the flow rate according to the type of amortisation and expected early redemption (forecast cash flow). This parameter is calculated based on the amounts at the start of the period.

The provisioning base corresponds to the balance sheet and off-balance sheet outstandings (unused portion) converted into credit equivalent (the credit conversion factor or CCF).

To take into account early redemption and the flow rate, the bank applies an early redemption rate to the provisioning calculation base for each portfolio. This rate is periodically reviewed by La Banque Postale group's ALM team according to the cyclical rate change.

Forward Looking

In accordance with IFRS 9, the expected credit losses take into account the effects of future economic conditions. The "Forward Looking" concept is based on a modelled and expert judgement approach. The Group selects three scenarios (central, positive alternative and negative alternative) defined by the Group's Economic Studies Department. The forecast horizon for future economic conditions is 3 years.

- the selected scenarios are comprehensive, consistent economic scenarios: they apply on a uniform basis to the entire bank with potentially opposite impacts on certain product or customer segments, reflecting the portfolio's diversification. (For example, it is not possible, within a given scenario to use different interest rate forecasts to measure the probabilities of lifetime default for retail customers and for sovereign customers);
- the proposed scenarios are not necessarily Stress Test scenarios: the aim in the IFRS 9 scenarios is not to quantify the risks or losses in a very adverse environment where the probability of occurrence is very low, but rather, to look for scenarios where the probability of occurrence deviates by a standard deviation from the central scenario's probability of occurrence.

These scenarios are documented and include forecasts for all the macroeconomic variables required to operate the models developed to obtain the PD and LGD at maturity. The probability of occurrence of each scenario is subject to documentation by the Bank's economists.

The process uses a significant amount of scenarios. All the models used by the IFRS 9 process are independently reviewed by the Models Validation Team and are approved before use by the Models Validation Committee.

33.2.4. Operational implementation

La Banque Postale is supported by its risk management system. Significant IT development work took place in 2016 and 2017, both on

a central level and in the subsidiaries, with regard to data collection for the calculation and recognition of impairment in "Bucket 1" and "Bucket 2".

Impairment is calculated in a centralised way for the entire Group by the Risk Department teams.

33.2.5. Exposure to credit risk

Change in book value and allowances for losses over the period

Allowances for losses correspond to the impairment of assets and provisions on off-balance sheet commitments recognised in net profit/(loss)(Cost of risk) in respect of credit risk.

The different stages of impairment ("Healthy Assets - Bucket 1", "Deteriorated Assets - Bucket 2" and "Impaired Assets - Bucket 3") as well as the definition of impaired assets from acquisition or creation are explained in Note 33.2.2 Significant Increase in Credit Risk - the Principles.

The following tables present a conciliation between the opening and closing balances of the allowances for losses recognised in Cost of risk and the associated book values, by accounting category and instrument type.

The "Modifications to flows not resulting in derecognition" line enables the identification of impacts on the gross book value and the allowance for loss relating to a restructuring for risk during the period.

Financial assets at amortised cost

31/12/2018			
(in € million)	Gross book value	Allowance for losses	Net amount
Securities at amortised cost	23,584	(3)	23,582
Loans and receivables - Credit and similar institutions at amortised cost	87,353	(2)	87,352
Customer loans and receivables at amortised cost	96,500	(764)	95,736
Securities at amortised cost - insurance activities	-	-	-
TOTAL	207,438	(768)	206,670

	Assets subject to a 12-month ECL		Assets subject to a lifetime ECL		Impaired assets		Total		
	(Bucket 1)		(Bucket 2)		(Bucket 3)		Gross book value	Allowance for losses	Net book Value
(in € million)	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	Allowance for losses	(a)	(b)	(a) + (b)
At 1 January 2018	185,447	(52)	4,982	(160)	1,377	(544)	191,806	(755)	191,051
Transfers of active assets from one bucket to another	1,771	(6)	(2,059)	29	287	(57)	-	(34)	(34)
Transfers of 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	-	2	-	(50)	-	-	-	(48)	-
Return of Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	-	(8)	-	76	-	-	-	68	-
Transfers of 12-month ECL (Bucket 1) to Impaired Lifetime ECL (Bucket 3)	-	-	-	-	-	(49)	-	(49)	-
Transfers of lifetime ECL (Bucket 2) to Impaired Lifetime ECL (Bucket 3)	-	-	-	17	-	(65)	-	(48)	-
Return of Impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	-	-	-	-	-	19	-	19	-
Return of Impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)	-	-	-	(13)	-	37	-	24	-
Total after transfer	187,218	(58)	2,923	(130)	1,665	(601)	191,806	(789)	191,017
Change in Gross book values and Allowances for losses	16,363	(26)	(510)	13	(221)	34	15,631	21	15,653
New production: purchase, granting, origination, etc.	48,921	(50)	521	(35)	353	(167)	49,795	(252)	-
Deconsolidation: sale, redemption, maturity, etc.	(32,558)	24	(1,009)	48	(474)	110	(34,041)	182	-
Write-offs	-	-	-	-	(113)	91	(113)	91	-
Change in flows not giving rise to deconsolidation	(11)	-	(12)	-	13	-	(9)	-	-
Changes in the model/ methodology	-	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-	-	-	-
Other	10	-	(10)	-	-	-	-	-	-
TOTAL	203,581	(84)	2,413	(117)	1,444	(567)	207,438	(768)	206,670
Impact of fair value adjustments of micro-hedged instruments	-	-	-	-	-	-	-	-	-
As at 31 December 2018	203,581	(84)	2,413	(117)	1,444	(567)	207,438	(768)	206,670

Financial assets at fair value through recyclable equity

(in € million)	31/12/2018	
	Fair Value	o/w allowance for losses
Debt instruments at fair value through equity	13,576	(3)
Debt instruments at fair value through equity - insurance activities	2,132	-
TOTAL	15,708	(3)

	Assets subject to a 12-month ECL		Assets subject to a lifetime ECL		Impaired assets			
	(Bucket 1)		(Bucket 2)		(Bucket 3)		Total	
(in € million)	Fair Value	O/w allowance for losses	Fair Value	O/w allowance for losses	Fair Value	O/w allowance for losses	Fair Value	O/w allowance for losses
At 1 January 2018	16,401	(2)	-	-	-	-	16,401	(2)
Change in gross book values and allowances for losses	(693)	(2)	-	-	-	-	(693)	(2)
New production: purchase, granting, origination, etc.	8,754	-	-	-	-	-	8,754	-
Deconsolidation: sale, redemption, maturity, etc.	(8,998)	-	-	-	-	-	(8,998)	-
Write-offs	-	-	-	-	-	-	-	-
Change in flows not giving rise to deconsolidation	-	-	-	-	-	-	-	-
Change in the model/ methodology	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-	-	-
Other	(449)	(2)	-	-	-	-	(449)	(2)
As at 31 December 2018	15,708	(3)	-	-	-	-	15,708	(4)

Off-balance sheet (financing and guarantee commitment)

(in € million)	31/12/2018		
	Gross book value	Allowance for losses	Net amount
Financing and guarantee commitments	27,128	-	-
Provisions for financing and guarantee commitments	-	47	-
TOTAL FINANCING AND GUARANTEE COMMITMENTS	27,128	47	27,081

	Assets subject to a 12-month ECL		Assets subject to a lifetime ECL		Impaired assets		Total		
	(Bucket 1)		(Bucket 2)		(Bucket 3)		Gross book value	Allowance for losses	Net book Value
(in € million)	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	Allowance for losses	(a)	(b)	(a) – (b)
At 1 January 2018	22,293	26	489	21	46	15	22,828	63	22,765
Transfers of active assets from one bucket to another	(28)	2	4	(8)	24	2	-	(4)	4
Transfers of 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)	-	(1)	-	4	-	-	-	3	-
Return of Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)	-	3	-	(12)	-	-	-	(9)	-
Transfers of 12-month ECL (Bucket 1) to Impaired Lifetime ECL (Bucket 3)	-	-	-	-	-	4	-	4	-
Transfers of Lifetime ECL (Bucket 2) to Impaired Lifetime ECL (Bucket 3)	-	-	-	-	-	1	-	1	-
Return of Impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)	-	-	-	-	-	(3)	-	(3)	-
Return of Impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)	-	-	-	-	-	-	-	-	-
Total after transfer	22,265	29	493	13	70	17	22,828	59	22,769
Change in gross book values and Allowances for losses	4,578	(5)	(236)	(4)	(42)	(3)	4,300	(12)	4,312
New production: purchase, granting, origination, etc.	13,169	12	88	4	7	3	13,263	20	-
Deconsolidation: sale, redemption, maturity, etc.	(8,591)	(17)	(324)	(8)	(48)	(6)	(8,963)	(32)	-
Write-offs	-	-	-	-	-	-	-	-	-
Change in flows not giving rise to deconsolidation	-	-	-	-	-	-	-	-	-
Change in the model/ methodology	-	-	-	-	-	-	-	-	-
Changes in consolidation scope	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
As at 31 December 2018	26,842	24	257	9	29	14	27,128	47	27,081

Modified financial assets

Modified financial assets correspond to assets restructured for financial difficulties. These are receivables for which the entity has modified the initial financial conditions (interest rate, duration) for economic or legal reasons due to the borrower's financial difficulties, under conditions that would not have been envisaged

in other circumstances. They concern receivables classified as defaulting, and since 1 January 2014, healthy receivables, at the time of their restructuring. An asset retains modified financial asset status when a restructuring event occurs, up to its derecognition.

For assets subject to restructuring during the period, the book value established after the restructuring is as follows:

(in € million)	Book value before transfer under restructuring	Amount of discount recognised in the income statement	Gross book value
Loans and receivables – Customers	91	(10)	81
Debt securities	-	-	-
TOTAL	91	(10)	81

Restructured assets which are at an impairment stage corresponding to bucket 2 (degraded assets) can switch back to bucket 1 (healthy assets) if their credit rating later improves to the

point where one can consider their credit quality to be normal. In that case, the provision is reduced to the level of the expected losses in the next 12 months.

The gross book value of the concerned assets is as follows:

(in € million)	31/12/2018
	Transfer to Bucket 1
Loans and receivables – Customers	15
Debt securities	-
TOTAL MODIFIED FINANCIAL ASSETS	15

Credit risk concentration

Credit risk concentration by economic agent

	As at 31/12/2018			
	Book value			
Financial assets at amortised cost	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Stage 1)	(Stage 2)	(Stage 3)	Total
Retail clients	64,679	2,292	1,210	68,181
Administration	97,558	2	30	97,591
Central banks	15,500	-	-	15,500
Credit institutions	4,108	-	15	4,123
Financial companies	1,592	10	-	1,602
Non-financial companies	20,144	110	188	20,441
Impairment	(84)	(117)	(567)	(768)
TOTAL	203,498	2,296	876	206,670

As at 31/12/2018				
Book value				
Financial assets at fair value through recyclable equity	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Stage 1)	(Stage 2)	(Stage 3)	Total
Retail clients	-	-	-	-
Administration	5,407	-	-	5,407
Central banks	-	-	-	-
Credit institutions	8,962	-	-	8,962
Financial companies	85	-	-	85
Non-financial companies	1,254	-	-	1,254
TOTAL	15,708	-	-	15,708
Of which impairment	(4)	-	-	(4)

As at 31/12/2018				
Commitment amount				
Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(in € million)	(Stage 1)	(Stage 2)	(Stage 3)	Total
Retail clients	10,621	207	28	10,856
Administration	6,042	3	-	6,044
Central banks	-	-	-	-
Credit institutions	1,579	-	-	1,579
Financial companies	2,120	-	-	2,120
Non-financial companies	6,480	48	1	6,529
Provisions ^(a)	(24)	(9)	(14)	(47)
TOTAL	26,819	248	15	27,081

(a) Expected or realised losses relating to off-balance sheet commitments are recognised as provisions under liabilities on the balance sheet.

Retail credit risk exposure by rating class

	As at 31/12/2018			
	Gross book value			
Financial assets at amortised cost	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
PD < 1%	53,816	33	-	53,848
1% < PD < 3%	7,687	186	-	7,873
3% < PD < 10%	3,174	752	-	3,926
PD > 10%	2	1,321	-	1,323
Doubtful contracts - disputes	-	-	1,210	1,210
TOTAL	64,679	2,292	1,210	68,181

	As at 31/12/2018			
	Commitment amount			
Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime	Impaired commitments	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
PD < 1%	9,429	6	-	9,435
1% < PD < 3%	934	49	-	984
3% < PD < 10%	257	37	-	294
PD > 10%	1	114	-	115
Doubtful contracts - disputes	-	-	28	28
TOTAL	10,621	207	28	10,856

Corporate credit risk exposure

	As at 31/12/2018			
	Gross book value			
Financial assets at amortised cost	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	570	-	-	570
AA	1,155	1	15	1,171
A	1,623	-	26	1,650
Other	18,387	118	147	18,652
TOTAL	21,736	119	188	22,044

As at 31/12/2018				
Gross book value				
Financial assets at fair value through recyclable equity	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	1	-	-	1
AA	154	-	-	154
A	290	-	-	290
Other	894	-	-	894
TOTAL	1,339	-	-	1,339

As at 31/12/2018				
Commitment amount				
Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	40	-	-	40
AA	476	-	-	476
A	1,446	-	-	1,446
Other	6,639	48	1	6,687
TOTAL	8,600	48	1	8,649

Administration and central banks credit risk exposure

As at 31/12/2018				
Gross book value				
Financial assets at amortised cost	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	17,625	-	-	17,625
AA	88,302	-	-	88,302
A	336	-	-	336
Other	6,796	2	30	6,828
TOTAL	113,058	2	30	113,091

As at 31/12/2018				
Gross book value				
Financial assets at fair value through recyclable equity	Healthy or degraded assets			
	Assets subject to a 12 month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	1,572	-	-	1,572
AA	2,823	-	-	2,823
A	434	-	-	434
Other	579	-	-	579
TOTAL	5,407	-	-	5,407

As at 31/12/2018				
Commitment amount				
Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	8	-	-	8
AA	202	-	-	202
A	149	-	-	149
Other	5,683	3	-	5,686
TOTAL	6,042	3	-	6,044

Credit institutions credit risk exposure

As at 31/12/2018				
Gross book value				
Financial assets at amortised cost	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	181	-	-	181
AA	23	-	-	23
A	3,176	-	-	3,176
Other	727	-	15	742
TOTAL	4,108	-	15	4,123

As at 31/12/2018				
Gross book value				
Financial assets at fair value through recyclable equity	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	353	-	-	353
AA	2,290	-	-	2,290
A	3,199	-	-	3,199
Other	3,120	-	-	3,120
TOTAL	8,962	-	-	8,962

As at 31/12/2018				
Commitment amount				
Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	-	-	-	-
AA	4	-	-	4
A	1,257	-	-	1,257
Other	318	-	-	318
TOTAL	1,579	-	-	1,579

Credit risk exposure by geographical area

As at 31/12/2018				
Gross book value				
Financial assets at amortised cost	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
France (including overseas territories – DOM-TOM)	194,744	2,411	1,391	198,546
Other EU countries	7,991	2	6	7,999
Other European countries	111	-	5	117
Other	735	-	41	776
Impairment	(84)	(117)	(567)	(768)
TOTAL	203,498	2,296	876	206,670

As at 31/12/2018				
Gross book value				
Financial assets at fair value through recyclable equity	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
France (including overseas territories – DOM-TOM)	4,559	-	-	4,559
Other EU countries	6,695	-	-	6,695
Other European countries	714	-	-	714
Other	3,740	-	-	3,740
TOTAL	15,708	-	-	15,708
Of which impairment	(4)	-	-	(4)

As at 31/12/2018				
Commitment amount				
Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(in € million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
France (including overseas territories – DOM-TOM)	25,787	257	29	26,072
Other EU countries	1,028	-	-	1,028
Other European countries	10	-	-	10
Other	18	-	-	18
Provisions*	(24)	(9)	(14)	(47)
TOTAL	26,819	248	15	27,081

* Expected or realised losses relating to off-balance sheet commitments are recognised as provisions under liabilities on the balance sheet.

Information on financial assets in arrears

	31/12/2018		
	Gross amount		
(in € million)	≤ 30 days	> 30 days and ≤ 90 days	> 90 day
Loans and advances	850	153	703
Assets subject to a lifetime ECL (Bucket 1)	695	-	-
Administration	41	-	-
Central banks	-	-	-
Retail clients	175	-	-
Credit institutions	-	-	-
Non-financial companies	477	-	-
Other financial companies	1	-	-
Assets subject to a lifetime ECL (Bucket 2)	117	102	-
Administration	-	-	-
Central banks	-	-	-
Retail clients	117	85	-
Credit institutions	-	-	-
Non-financial companies	-	17	-
Other financial companies	-	-	-
Assets subject to a lifetime ECL (Bucket 3)	39	51	703
Administration	-	-	1
Central banks	-	-	-
Retail clients	38	50	594
Credit institutions	-	-	15
Non-financial companies	1	1	94
Other financial companies	-	-	-
Impairment	(29)	(28)	(297)
TOTAL ASSETS IN ARREARS BY ECONOMIC AGENT	821	125	406

33.2.6 Additional information on sovereign exposure

The list of sovereign exposures was prepared in accordance with the scope defined by the European Banking Authority (EBA), in other words by including the exposure data relative to regional authorities, central authorities and businesses guaranteed by the French government. These exposures include deposits centralised at Caisse des Dépôts (which were excluded in 2017).

(in € million)	Bank portfolio	Assets at fair value through profit or loss	Insurance investments	Total direct exposure ^(a)	Repo	Off-balance sheet	Total direct and indirect exposure ^(b)	Exposure (as a %)
Greece	-	-	-	-	-	-	-	-
Ireland	-	-	-	-	-	-	-	-
Italy	101	849	57	1,007	184	-	1,192	1.0%
Portugal	302	249	-	552	-	-	552	0.5%
Spain	83	723	29	835	-	-	835	0.7%
Total GIIPs	486	1,822	87	2,395	184	-	2,579	2.2%
Germany	3,228	-	12	3,240	-	-	3,240	2.8%
Austria	-	-	15	15	-	-	15	0.0%
Belgium	3,023	-	50	3,073	-	-	3,073	2.7%
France	102,651	155	1,171	103,977	31	669	104,677	90.9%
Luxembourg	159	-	36	194	-	-	194	0.2%
Netherlands	152	-	-	152	-	-	152	0.1%
Poland	-	-	17	17	26	-	43	0.0%
Romania	20	-	-	20	-	-	20	0.0%
Slovenia	-	-	5	5	-	-	5	0.0%
Switzerland	23	-	6	29	-	-	29	0.0%
Total Europe	109,256	155	1,311	110,721	57	669	111,447	96.8%
Rest of the World	936	-	13	949	166	-	1,116	1.0%
TOTAL	110,678	1,977	1,410	114,065	408	669	115,142	100%

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

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

Unrealised gains and losses recognised in equity were not material. All investments are classified as level 1. No significant impairment was recognised on the investments as at 31 December 2018.

Maturities of sovereign investments are usually below one year.

33.3 Market risk and hedging

33.3.1 General risk management strategy framework

General framework

Market risks reflect the potential impact of changes in the financial markets on the bank's net profit/(loss) or its balance sheet. They include price risk, currency risk and commodity risk.

Most of the items in the balance sheet generate interest income and expenses whose amounts are exposed to interest rate changes, either through the implementation of new transactions where the rate is unknown, or through the comparative assessment of the rate at which existing transactions would have been implemented. In the first case, it is a cash flow risk, whereas in the second case, it is a fair value risk.

While waiting for the macro-hedging standard to take effect, IFRS 9 offers the option to defer the application of new provisions relating to hedge accounting. La Banque Postale group has decided to take advantage of the option to keep IAS 39 principles pertaining to hedge accounting. With regard to macro-hedging, the European Union's provisions relating to fair value hedging of a portfolio of interest rate items continue to apply.

Type of hedging – management of related risks

As part of the management of market risk associated with asset/liability balances and the risk management policy, La Banque Postale group implements hedging using derivative instruments.

This economic hedging reflects different accounting types.

When derivatives are held for trading, they are held in symmetry with the hedged underlying; they do not fall under the category of derivatives used for hedging under the accounting meaning. There is no hedge accounting.

Hedging derivatives that qualify as hedging instruments according to IAS 39 are classified in "Fair value hedges" or "Cash flow hedges".

Fair Value Hedges

Fair value hedging enables exposure to fluctuations in the fair value of financial assets or liabilities; it is mainly used to hedge interest rate risk on fixed rate assets and liabilities and on sight deposits, as part of the options allowed by the European Union. The derivatives used to hedge fair value stabilise the value by evolving in an opposite direction to that of the hedged item. Hedging is considered effective when the hedging instrument's change in value offsets that of the hedged instrument effectively, i.e. when

the ratio between the two changes in value remains within a range of 80% to 125%.

Cash flow hedges: Cash Flow Hedge and all-in-one Cash Flow Hedge

Cash flow hedges are used to hedge exposure to movements in cash flows from financial assets or liabilities, firm commitments or future transactions. More specifically, they are used to cover interest-rate risk on reviewable-rate assets and liabilities. The derivatives used for cash flow hedging must effectively enable cash flows to be fixed. In the specific case of forward contracts, they are all-in-one cash flow hedges which are, by construction, effective given that these contracts hedge the underlying specified for delivery (the contracts incorporate both the derivative and the underlying, which explains the name "all-in-one").

Macro-hedging

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

Macro-hedging instruments are primarily interest rate swaps designed as fair value hedges for the Group's fixed rate resources and uses. The flow rate of these hedging swaps is systematically shorter than the probable flow rate of the fixed rate hedged items. This is known as the bottom-layer approach. In the event of over-hedging, the effectiveness test conducted by La Banque Postale group shows that it is not complied with and the ineffective portion of the hedging derivative is systematically cancelled.

Hedging instruments

La Banque Postale group uses several types of hedging derivatives to manage the interest rate and currency risks of balance sheet items.

For interest rate swaps (over the counter contracts enabling the exchange, based on a nominal amount, of interest rate flows calculated using a fixed rate against interest rate flows calculated using a floating rate), La Banque Postale group favours these swaps over OIS swaps.

For Options (over the counter contracts between two counterparties giving the buyer the option of hedging beyond a certain level), La Banque Postale group used Caps to hedge against an increase in interest rates beyond a predetermined level (ceiling or exercise rate, also called the strike rate), against the - generally immediate - payment of a premium.

For currency swaps, La Banque Postale group uses cross currency swaps (currency swaps, with payer of the rate in currency and receiver of the floating rate in euros). The cross currency swap ensures both financing in foreign currency and currency hedging (financing and interest). Currency flows for the security and swap are completely matched in terms of amounts, dates and outflows.

33.3.2 Scopes and economic ties with the hedged risk (underlying)

Underlyings

La Banque Postale group carries out hedging of transactions in the Group's balance sheet (for both customer and financial origins) with derivatives traded with market counterparties. These transactions depend on the portfolio's accounting business model.

The transactions use different hedging strategies aiming mainly to hedge interest rate risk.

Hedged item	Derivatives	Hedging
Fixed rate loans	Fixed payer swap	Carve-out fair value hedge (CO-FVH)
	Fixed payer swap	Fair value hedge (FVH)
	Fixed receiver swap	Cash Flow Hedge (CFH) ^(a)
Fixed rate securities purchased	Fixed payer swap	Carve-out fair value hedge (CO-FVH)
	Fixed payer swap	Fair value hedge (FVH)
Fixed rate securities purchased forward	Forward	All-in-one cash flow hedge ("all-in-one CFH")
Capped adjustable rate assets	Cap purchased	Carve-out fair value hedge (CO-FVH)
Fixed rate customer deposit	Fixed receiver swap	Carve-out fair value hedge (CO-FVH)
Fixed rate bond issue	Fixed receiver swap	Fair value hedge (FVH)

(a) Position extinguished at end 2018.

Underlying hedged assets

The hedged risk corresponds to the interest rate risk in value attached to fixed rate bonds and customer loans (real estate, consumer), and to cash flow interest rate risk (purchase of term bonds).

Underlying hedged liabilities:

The hedged risk corresponds to the interest rate risk in value attached to fixed rate customer deposits (sight, home loan savings plans), and fixed rate bond issues.

Sources of ineffectiveness

Hedging of a security by a swap

There are two types of fair value hedging:

Hedging against Euribor: Hedges against Euribor are valued using a EURIBOR discount curve for securities, whilst derivatives are valued using an EONIA curve. The introduction of two different discount curves creates a slight hedging ineffectiveness which is more significant when the EONIA- EURIBOR spread varies over time.

Hedging against Eonia: Hedges against EONIA are valued using an EONIA discount curve for securities and derivatives. Thus, the mathematical hedging between the security and the swap (security discounted against EONIA with restatement of the credit component and swap discounted against EONIA) is perfect - for this reason they are considered to be 100% effective and do not require retrospective effectiveness tests.

Hedging of several securities by several swaps

The defined principles enable the attainment of simplified hedging documentation that is considered to be 100% effective, whilst correctly managing the accounting treatment of the hedged rate

component and, in particular, the recycling of hedging results according to the securities' transactions carried out.

The securities and their hedging (a swap, more exceptionally several swaps) are grouped by macro-hedging "strategy". Each macro-hedging strategy complies with the following constraints:

1. the strategy's securities and swaps have a maturity date included in the same bucket for a maximum period of one year;
2. the notional amount of the strategy's swap must be strictly lower than the total principal amount of the securities;
3. the maturity of the strategy's swap must be less than or equal to the smallest maturity of the strategy's securities;
4. the sensitivity of the strategy's swap must be less than or equal to the overall sensitivity of the securities;
5. if there are several swaps in the strategy, they must be executed on the same day;
6. once the securities and swap(s) have been matched, no additional securities can be purchased under the strategy, only the sales of securities and unwinding of swaps are authorised.

As part of this management framework, once a hedging strategy has been constituted, new securities or new swaps must not be introduced. This guarantees that during the hedging period, all the securities and swaps have had homogeneous value changes (in respect of interest rate risk) over time.

La Banque Postale has set itself unwinding rules by following the principal amount of the securities sold, strategy by strategy, to constantly comply with the defined constraints, and by partially cancelling swap outstandings that exceed the principal of the remaining securities on the same day the securities are sold. In

the event of over-hedging, the effectiveness test put in place by La Banque Postale group is not met; in this event, an "ineffectiveness" figure is then calculated, and the over-hedged amount of the hedging derivative is systematically cancelled.

Macro-hedging: the sources of ineffectiveness mainly consist of the disappearance of the underlying item.

Hedging ratio

For hedging that is not considered to be 100% effective by construction, the hedging ratio (quantity of items hedged/quantity of hedging instruments) corresponds to the ratio used by La Banque Postale group in its operational risk management.

The hedging ratio is calculated as follows: At each closing date, the retrospective documentation consists of checking that the change in value of the hedged item since the origin is consistent with the change in the hedging item, and that the ratio of value changes remains within the range [80% - 125%].

Effectiveness test

La Banque Postale group conducts an effectiveness test at least twice per half year.

Cash Flow Hedge

La Banque Postale group uses the hypothetical derivative method for Cash Flow Hedges. This hypothetical derivative method consists of comparing the changes in value of the derivative instrument to the changes in value of a fictional derivative instrument called the hypothetical derivative that perfectly represents the hedged risk.

Fair Value Hedge

Hedging of a security by a swap

La Banque Postale group uses the hypothetical derivative method for micro-hedging on EURIBOR swaps. Working from the assumption that swaps against EONIA are 100% effective in micro-hedging, the method consists of creating an EONIA swap that could have been set up during the hedging (exactly replicating the security) and it assesses the change in value of this swap compared to the change in value of the swap that was actually set up.

The residual ineffectiveness corresponds to the sum of changes in value of the hedged item and the hedging item. The security and swap are valued using an identical and constant rate curve, with only the market exchange rate taken into account. Thus, the change in value of the security valued in this way is independent from changes in interest rates and is only impacted by the change in exchange rates.

In cases where the effectiveness test is not complied with, La Banque Postale group requires that all or part of the hedging underlying is cancelled. For this, effectiveness tests are carried out before and after disposals to ensure the cancellation operation is compliant.

Hedging of several securities by a swap

To ensure the monitoring of the hedging strategy, La Banque Postale has set up rolling documentation of hedging strategies to substantiate the absence of new or additional securities on existing positions.

Hedging of several loans by several swaps (bottom of tank/carve out)

For a sub-group of fixed rate customer contracts, La Banque Postale group carries out tests to ensure that the flow of the hedged underlyings is much higher than that of the nominal amount of the derivatives (swaps or options) used for hedging. If the nominal amount of the derivatives is higher, this ends the hedging relationship and the derivative(s) is/are systematically cancelled.

Fair value and cash flow hedging derivatives

(in € million)	As at 31/12/2018		
	Assets	Liabilities	Notional
Interest rate instruments	1,131	329	38,848
Interest rate swaps	1,130	329	38,484
Caps-floors-collars	-	-	364
Foreign currency instruments	-	18	346
Firm foreign exchange transactions	-	18	346
Other instruments	-	-	-
TOTAL FAIR VALUE HEDGING DERIVATIVES	1,131	348	39,194
Interest rate instruments	29	-	1,476
Foreign currency instruments	-	-	-
Other instruments	-	-	-
TOTAL CASH FLOW HEDGING DERIVATIVES	29	-	1,476
TOTAL HEDGING DERIVATIVES	1,159	348	40,670

Fair value and cash flow hedging notionals

(in € million)	As at 31/12/2018					
	Less than 3 months	3 months to 1 year	1 to 5 years	> 5 years	indefinite	Total
Interest rate instruments	586	1,341	18,707	18,214	-	38,848
Interest rate swaps	526	1,240	18,560	18,158	-	38,484
Caps-floors-collars	60	101	146	56	-	364
Foreign currency instruments	-	208	137	-	-	346
Firm foreign exchange transactions	-	208	137	-	-	346
Other instruments	-	-	-	-	-	-
TOTAL FAIR VALUE HEDGING DERIVATIVE NOTIONALS	586	1,550	18,844	18,214	-	39,194
Interest rate instruments	984	492	-	-	-	1,476
Foreign currency instruments	-	-	-	-	-	-
Other instruments	-	-	-	-	-	-
TOTAL CASH FLOW HEDGING DERIVATIVE NOTIONALS	984	492	-	-	-	1,476
TOTAL HEDGING DERIVATIVE NOTIONALS	1,570	2,042	18,844	18,214	-	40,670

Fair value hedge

Hedged items

31/12/2018				
Fair value micro-hedging	Existing hedging		Discontinued hedges	Fair value adjustment over the period related to the hedge (including discontinued hedges during the period)
(in € million)	Book value	of which total fair value adjustments related to the hedge	Total fair value adjustments related to the hedge still to be amortised	
Assets				
Interest rate	10,804	54	-	173
Foreign exchange	366	1	-	(1)
Other	-	-	-	-
Financial instruments at fair value through equity	11,170	54	-	173
Interest rate	284	7	-	(1)
Foreign exchange	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	284	7	-	(1)
Liabilities				
Interest rate	7,236	238	-	(8)
Foreign exchange	-	-	-	-
Other	-	-	-	-
Financial instruments at amortised cost	7,236	238	-	(8)
Fair value macro-hedging	31/12/2018			
(in € million)	Book value			
Debt instruments recognised at fair value through equity	-			
Debt instruments classified at amortised cost	4			
Total – Assets	4			
Debt instruments classified at amortised cost	17			
Total – Liabilities	17			
TOTAL				
FAIR VALUE HEDGING OF THE INTEREST RATE RISK EXPOSURE OF A PORTFOLIO OF FINANCIAL INSTRUMENTS	21			

Fair value hedge accounting result

(in € million)	31/12/2018		
	Net result (hedge accounting result)		
	Change in fair value on hedging instruments (including discontinuations)	Change in fair value on hedged items (including discontinuations)	Ineffective part of the hedge
Interest rate	(151)	149	(2)
Foreign exchange	(24)	24	-
Other	-	-	-
TOTAL	(175)	173	(2)

Cash flow hedge

Hedging items

(in € million)	31/12/2018			
	Existing hedging		Discontinued hedges	Fair value adjustment over the period related to the hedge (including discontinued hedges during the period)
	Book value	of which total fair value adjustments related to the hedge	Total fair value adjustments related to the hedge still to be amortised	
Assets				
Interest rate	1,476	(29)	-	(28)
Foreign exchange	-	-	-	-
Other	-	-	-	-
Financial instruments at fair value through equity	1,476	(29)	-	(28)

Cash flow hedge accounting result

(in € million)	31/12/2018		
	Other comprehensive income		Net result (hedge accounting result)
	Effective part of the hedge recognised during the period	Amount recognized in recyclable equity reclassified under income during the period	Ineffective part of the hedge
Interest rate	28	(174)	-
Foreign exchange	-	-	-
Other	-	-	-
TOTAL	28	(174)	-

33.3.3 Assessment of risk

Value at Risk (VaR)

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

The VaR indicator covers transaction portfolios as well as certain banking portfolios. A global VaR is also calculated on all positions.

The VaR indicator is available for each activity included in the market portfolio.

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

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

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

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

Stress scenarios

A stress scenario is used to simulate an extreme situation in order to evaluate its financial consequences on the results or the equity of La Banque Postale. Using scenarios is a tool to analyse and monitor market risks.

33.4 Liquidity risk

Liquidity risk is defined by the Decree of 3 November 2014 as a company's risk of not being able to meet its commitments or not being able to resolve or offset a position due to the market situation (systemic risk) or idiosyncratic factors (its own credit risk), within a determined time frame and at a reasonable cost.

Two types of management are concerned: the management of the bank's current liquidity in order to minimise the cost of management within reasonable risk limits on the one hand, and the management of the Bank's liquidity in the event of major stress on the other hand.

La Banque Postale has a strong liquidity position based on:

- customer deposits in excess of loans to customers. La Banque Postale has a very large, diversified deposit base (in excess of €160 billion), principally consisting of deposits by French individual customers;
- a significant HQLA (High Quality Liquidity Assets) portfolio, La Banque Postale has traditionally invested a large part of its balance sheet in sovereign bonds, due to its long-standing business of collecting deposits, while the customer loans business only developed as of 2006. This portfolio exclusively contains liquid, high quality assets in line with the provisions of Delegated Regulation (EU) No. 2015/61, which brings its short-term liquidity ratio above 135% and on average around 150%;
- proven access to capital markets financing.

As the resources from customers are for the most part without maturity and payable at any time (deposits, saving accounts), their outflow is modelled in order to determine its time profile. La Banque Postale selected a conservative approach for its liquidity valuation, and used very conservative assumptions to estimate outflows. Resources are thus valued using increased outstanding volatility and decreased liquidity duration.

Managing the liquidity risk

Responsibility for managing the liquidity risk rests with the ALM Committee in line with the principles and limitations approved by the Group's Risk Management Committee. This responsibility is partially delegated to the COGOB and the cash and long-term finance divisions of the trading floor for the tactical liquidity risk linked to the Bank's cash management.

Operationally, La Banque Postale has implemented an internal liquidity assessment system, or ILAAP (Internal Liquidity Adequacy Assessment Process), which covers all of the arrangements on limits, assessment, monitoring, reporting and management of liquidity. These arrangements include:

- a guidelines and limits system;
- a financing plan which ensures *ex ante* the Bank's balanced funding position as regards budget planning for La Banque Postale;
- maintaining and monitoring of changes to a high-quality, unencumbered liquid securities buffer, as well as the amounts referred to the central bank's deposit facility;
- the emergency financing plan (PFU), the main objectives of which are (cf. *infra*):

- to define the alert thresholds for the early detection of tensions on liquidity, whether these be idiosyncratic (specific to the Banks) or systemic,
- to identify all available capacities to generate liquidity (liquidity reserves and financing capacities),
- to mobilise a governance able to manage a crisis with the required expediency,
- as well as a stress test system aimed at measuring the margins of manoeuvre of La Banque Postale in situations of historically high tensions on the Bank's liquidity.

The Bank's bodies (Risk Committee of the Supervisory Board) approved the entire ILAAP system in March 2018.

The prudential liquidity risk declaration systems apply to the entire scope of prudential consolidation. Nevertheless, some of the limits and indicators used in management refer to the Group's corporate units, notably La Banque Postale, the Group's largest entity.

Assessment of liquidity risk

Short-term liquidity monitoring

This strategy is based on:

- regulatory liquidity ratios and reporting;
- LCR (Liquidity Coverage Ratio);
- NSFR (Net Stable Funding Ratio).

Liquidity Coverage Ratio (LCR)

The LCR is a monthly short-term liquidity ratio which measures the Bank's ability to resist during 30 days to a severely degraded situation in a context of a systemic shock. The target value of this ratio is over 100%, and the subject institution benefits from a transition period to reach this target. This ratio is calculated by dividing the sum of high-quality, liquid assets free of commitments by the liquidity requirement under stress over 30 days.

Consistent with the balance sheet movements detected in the "interest-rate risk" part, (development of commercial assets), the LCR fell in 2018.

The LCR is also one of the limitations to be adhered to under the dynamic liquidity projections.

Under the ILAAP, several stresses on the LCR have been developed.

The LCR and the liquidity reserve are calculated daily.

The concentration, cost and structure of refinancing, as well as the concentration of the asset cushion are regularly reviewed and are subject to regulatory reports (ALMM) together with LCR publishing.

Net Stable Funding Ratio (NSFR)

The NSFR represents the stable available financing divided by mandatory stable financing. This ratio should be at all times greater than 100%. The Available Stable Funding is the portion of resources which are not payable within the relevant time frame, here, one year under the NSFR. A bank's amount of Required Stable Funding depends on the liquidity features and the residual term of the assets (and off-balance sheet positions) held.

As of today, as part of the regulatory liquidity exercises performed for the ECB, La Banque Postale's NSFR exceeds 100%.

The arrangement also relies on:

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

Long-term liquidity monitoring

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

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

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

Operations without contractual maturity (including sight deposits and savings accounts) are taken into account using outflow agreements approved by the ALM Committee and the Group Risks Department. Off-balance sheet commitments are taken into account using drawing assumptions. The transferable nature of certain operations can in some cases be taken into account.

Emergency Financing Plan (PFU)

The Emergency Financing Plan is designed to be monitored by the financial management governance bodies (ALM Committee, COGOB, Group Risk Management Committee) and executed operationally by the Financial Transactions Department.

The Emergency Financing Plan (PFU) is part of the Bank's annual internal liquidity assessment process. The PFU presents the indicators used to determine the health of the markets (financial or banking) on which the liquidity of La Banque Postale is exposed. These indicators are broken down into two main families:

- systemic indicators;
- idiosyncratic indicators.

A threshold is set for each indicator (comfort, vigilance or alert).

The Emergency Financing Plan also includes arrangements to be implemented in the event of a proven crisis, whether it be systemic or idiosyncratic. This arrangement mainly takes the form of an analysis of the various sources of financing (or liquidities) which La Banque Postale can access, depending on the amounts represented and the speed of implementation. The PFU also provides for specific governance *via* Committees, which monitor the indicators. The aim of this governance is to provide a higher level of surveillance of the Bank's liquidity risk. The indicators (in normal periods) are presented during the COGOb. Finally, the selected indicators and the proposed responses are tested on the markets to assess their relevance and the liquidity of the market.

The financing test involves testing the market by carrying out short-term borrowings. The aim of this type of test is to regularly check the bank's ability to quickly secure funds on the markets to ensure that the estimates on the Bank's ability to borrow remain valid. It is envisaged that this type of test will take place at least twice a year.

In 2018, La Banque Postale twice successfully tested its ability to finance itself for a significant amount over a day in its different currencies.

Liquidity reserve

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

The liquidity reserve comprises:

- cash placed with the central bank (excluding average obligatory reserves calculated over the maintenance period);
- securities forming the HQLA (High Quality Liquid Assets) cushion, comprising mainly state securities, covered bonds and corporate securities complying with prudential liquidity criteria, as defined by regulation rules for the calculation of the LCR, for which valuation of investments is affected by a haircut according to prudential rules;
- other securities transferable to the ECB (mainly banking securities) affected by the ECB haircut.

High quality guaranteed home loans, which are convertible through the issue of covered bonds by the Home Financing Company of the Group, are also a significant liquidity resource (around €11.9 billion potential collateral as at 31 December 2018, in addition to the Bank's other usual financing resources).

Risk mitigation techniques

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

- a €20 billion Neu-CP (Negotiable European Commercial Paper) programme with the goal of refinancing part of the Bank's short-term financing needs, and to satisfy institutional clients;
- a €2 billion Neu-MTN programme with the goal of refinancing part of the Bank's short-term financing needs, and to satisfy institutional clients;
- a €10 billion EMTN programme, for the issue of a Home Lending Bond (OFH) *via* its secured financing vehicle implemented in 2013, LBP Home Loan SFH, subsidiary of LBP SA;
- access to refinancing by the BEI as part of La Banque Postale's commitment for eligible funds;
- a portfolio of held-to-maturity securities, which mainly consists of high-quality government bonds, which are rapidly convertible and provides a permanent source of eligible securities granting access to the ECB's refinancing transactions or to the repurchase agreements market;
- access to the inter-bank market.

La Banque Postale also has access to a secured financing vehicle *via* la Caisse de Financement Local (CAFFIL), to which it regularly assigns loans to local authorities.

These "Secured financing" vehicles are a reliable source of financing, as shown by the fact that the market for secured finance continued to operate normally during the recent banking crisis of 2011.

33.5 Interest-rate risk

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

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

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

The ALM Committee is primarily responsible for monitoring interest-rate risk. It monitors the interest-rate risk performance indicators, and anticipates their future development, in light of the Bank's commercial policy, and of observations on customer behaviour. Interest-rate risk indicators are also reviewed by the Risk Committee CPRG. Interest rate risk indicators are also reviewed the Group Risk Steering Committee, mostly on a monthly basis.

Assessment of risk

Interest rate risk is managed in order to cover the sensibility of the future net interest margin whilst respecting the value sensibility indicators. This management is done dynamically, based on the business plan, through the setup of interest-rate derivative instruments, or changes in the commercial policy.

The balance sheet has implicit and explicit options, resulting in a non-linear nature of the economic value according to the rates. Therefore, the ALM provides regular rebalancing on the structural positions *via* market instruments.

As required by the Basel Committee, major interest-rate risks in the banking book are identified and measured. Some of them may result in specific monitoring arrangements.

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

- refixing risk linked to the differences between the new rates on the assets and liabilities side (according to references and maturities);
- curve risk, linked to the refixing risk: generated by the changes in the rate curve (translation, rotation, etc.);
- basis risk: linked to the many rate references used which generate risk due to the less than perfect correlation between the references;
- option risk (contractual or behavioural);

- risks from positions exposed to the actual rate/inflation.

Therefore, the change in the net interest margin is measured using several rate scenarios. The interest-rate risk in the balance sheet is simulated dynamically, taking into account future changes in amounts outstanding (early redemptions, new productions, etc.) in accordance with the behavioural models developed and in the business plan.

Delegated-management bond portfolio transactions are not part of the overall interest-rate risk, as their risk is monitored and contained by the limits specific to each portfolio. These portfolios, which relate to the trading floor, are contained by market risk type limits.

Assessment of general interest rate risk

Conventions and procedures

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

- outstanding amounts with maturities (contractual outflows, corrected or not by a model);
- outstanding amounts without maturities (outflow agreement);
- off-balance sheet commitments (liquidity commitments and guarantees).

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

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

Rate gaps

For a given currency, the nominal rate gap is calculated for fixed-rate and variable-rate transactions, and can be reviewed until their next review or setting date. The nominal rate gap does not take rate drops into account.

The rate gap is the difference between the average amounts of fixed-rate assets and the average amounts of fixed-rate liabilities including the impacts of off-balance sheet items (swaps and depreciation on payments) by maturity.

NOTE 34 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

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34.1 Fair value and ranking of financial instruments

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

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

	31/12/2018				
			Fair value ranking ^(b)		
(in € million)	Book value	Fair value ^(a)	Level 1	Level 2	Level 3
ASSETS					
Bank assets					
Customer loans and receivables	95,671	98,340	-	-	-
Credit institutions loans and receivables	87,352	87,362	-	-	-
Securities portfolio	51,262	52,704	18,694	8,394	592
Non-bank assets					
Other non-current financial assets	290	290	-	113	94
Trade and other receivables	4,156	4,156	-	-	-
Other current financial assets	532	532	50	414	-
Cash and cash equivalents	2,286	2,286	528	1,758	-
LIABILITIES					
Bank liabilities					
Liabilities to credit institutions	18,877	18,870	-	-	-
Customer transactions	185,802	185,811	-	-	-
Debt evidenced by a certificate and other	23,759	23,905	-	979	-
Non-banking liabilities					
Bonds and other financial debt	6,229	6,633	-	739	-
Trade and other payables	5,432	5,432	-	-	-

(a) Including fair value of items recognised at amortised cost.

(b) For items recognised at fair value.

Reclassifications from Level 2 to Level 1: €28.2 million (3 fixed-rate investments whose transactions now meet the criteria for volume and frequency).

Reclassifications from Level 1 to Level 2: €73.3 million (8 fixed-rate investments whose transactions do not meet the criteria for volume and frequency any more).

(in € million)	31/12/2017		
	Level 1	Level 2	Level 3
Banking activities assets			
Government securities and similar	945	5	-
Bonds and other fixed-income securities	1,127	4,931	-
Equities and other variable-income securities	61	-	-
Financial assets at fair value through profit or loss	2,133	4,936	-
Equities and other variable-income securities	35	-	-
Financial assets designated at fair value through profit or loss	35	-	-
Interest-rate derivatives	-	384	-
Foreign exchange derivatives	-	94	-
Credit derivatives	-	3	-
Equity and index derivatives	-	10	-
Trading derivatives	-	491	-
Interest-rate derivatives	-	1,138	-
Foreign exchange derivatives	-	5	-
Fair value hedging derivatives	-	1,143	-
Interest-rate derivatives	-	2	-
Cash flow hedging derivatives	-	2	-
Government securities and similar	6,701	20	-
Bonds and other fixed-income securities	9,327	215	-
Equities and other variable-income securities	804	222	300
Unconsolidated investments	-	-	200
Available-for-sale financial assets	16,832	457	501
Non-banking activities assets	-	-	-
Other non-current financial assets	-	460	139
Trade and other receivables	-	3,930	-
Other current financial assets	-	712	-
Cash and cash equivalents	350	1,385	-
Banking activities liabilities	-	-	-
Debt evidenced by a certificate	-	5	-
Financial liabilities designated at fair value through profit or loss	-	5	-
Interest-rate derivatives	-	392	-
Foreign exchange derivatives	-	93	-
Other derivative instruments	-	20	-
Credit derivatives	-	13	-
Equity and index derivatives	-	10	-
Trading derivatives	-	528	-
Interest-rate derivatives	-	238	-
Exchange-rate derivatives	-	-	-
Fair value hedging derivatives	-	238	-
Non-banking activities liabilities	-	-	-
Bonds and other financial debt	-	6,297	-
Trade and other payables	-	5,154	-

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

(in € million)	Assets at fair value through profit or loss	Assets designated at fair value through equity	Hedging derivatives	Total
Opening balance	250	251	-	501
Gains and losses recorded in income	10	-	-	10
Gains and losses recorded in equity	-	12	-	12
Purchases	70	31	-	101
Redemptions	(28)	-	-	(28)
Other movements	1	(5)	-	(4)
CLOSING BALANCE	303	289	-	591

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

None.

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

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

34.2 Methods for calculating the fair value of financial instruments

34.2.1 Financial instruments excluding banking activities

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

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

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

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

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

34.2.2 Financial instruments used in banking activities

IFRS 13 defines the fair value as the price that would be received for the sale of an asset or paid for the transfer of a liability during a normal transaction between market participants at the measurement date.

When an instrument is first recognised, its fair value is usually the transaction price.

IFRS 13 recommends initially using a listed price on an active market to determine the fair value of a financial asset or liability. A market is considered to be active if prices are easily and regularly available from a stock exchange, a broker (multi contribution), a trader or a regulatory agency, and if these prices represent actual transactions (volume, price range) carried out at arm's length. In the absence of an active market, fair value must be determined using valuation techniques. These techniques include the use of recent arm's length transactions. They are based on market data, the fair values of substantially identical instruments, discounted cash flow models or option pricing models, and use recognised valuation methods. The aim of a valuation technique is to establish what the instrument's price would have been in a normal market. For example, the fair value of fixed-income securities, equity securities and futures is determined using listed prices. Valuation techniques referring to market data are used mainly for over-the-counter derivatives, discount securities (e.g. commercial paper, and certificates of deposit, etc.) and repurchase agreement deposits.

The financial instruments are presented in Note 34.1 according to three levels based on the observability of values, in descending order, and the parameters used for their valuation:

- **level 1:** Instruments valued using (unadjusted) listed prices on an active market for identical assets or liabilities.

These are mainly listed shares and derivatives on organised markets (futures, options, etc.);

- **level 2:** Instruments valued using data other than the prices indicated in level 1 and which are observable for the asset and liability concerned, either directly (*i.e.* prices) or indirectly (*i.e.* data derived from prices).

These are instruments which are valued with techniques using observable parameters and standard models or instruments that are valued by referring to similar instruments listed on an active market. This classification concerns rate swaps, caps, etc.;

- **level 3:** Instruments valued using unobservable market data.

These are mainly unlisted equity investments, FCPR or FCPI funds.

The market value for unlisted equity investments is set by referring to certain criteria such as net assets, profitability outlook and discounting of future cash flows.

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

Fair value of loans

The scope applied is that of all loans drawn down and included on La Banque Postale's balance sheet. Loans that have been granted

but not yet released are not taken into account, as it is assumed that, since their rate has just been fixed, their value will not be different from the amount advanced.

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

- the fair value of overdrafts on sight accounts is assumed to correspond to the accounting value due to the very short length of the loans (less than one month);
- the fair value of loans is determined on the basis of internal models, which consist in discounting future recoverable capital and interest flows over the residual maturity, which are discounted based on opportunity interest rates.

Fair value of deposits

The main underlying assumptions for the calculation are as follows:

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

Fair value of held or issued debt instruments

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

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

Non-banking activities

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

Banking activities

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

2018

(in € million)	Changes in fair value				Deconsolidation and dividends	Net gain (loss)
	Interest income (expense)	Fair value through profit or loss	Fair value through equity	Impairment		
Assets classified at amortised cost	1,929	-	-	-	-	1,929
Assets classified at fair value through recyclable OCI	111	-	(419)	-	342	34
Financial instruments at fair value through profit or loss	-	27	-	-	-	27
Hedging	188	(2)	(147)	-	-	39
TOTAL	2,228	25	(566)	-	342	2,029

2017

(in € million)	Changes in fair value				Deconsolidation and dividends	Net gain (loss)
	Interest income (expense)	Fair value through profit or loss	Fair value through equity	Impairment		
Loans, receivables and payables	1,685	-	-	(192)	-	1,493
Assets held to maturity	690	-	-	-	-	690
Available-for-sale assets	176	-	(63)	-	278	391
Financial instruments at fair value through profit or loss	-	(4)	-	-	-	(4)
Hedging	154	(4)	(54)	-	-	96
TOTAL	2,705	(8)	(117)	(192)	278	2,666

34.4 Financial hedging instruments

Non-banking activities

See Note 27.

Banking activities

See Note 33.3.

34.5 Reclassification of financial assets

In 2008, La Banque Postale chose the option provided by the 13 October 2008 amendment to IAS 39 and IFRS 7 to reclassify certain available-for-sale financial assets under "loans and receivables". The transfer of part of the securities in the available-for-sale financial assets portfolio that no longer had the expected liquidity to the loans and receivables category enables the financial statements to provide a better view of La Banque Postale's allocation of resources. The net book value and fair value of securities reclassified on 1 July 2008 remain immaterial as at 31 December 2018.

34.6 Offsetting of financial instruments

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

34.6.1 Non-banking derivative instruments

2018

	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Net amounts
(in € million)	A	B	C=A-B	Derivative instruments D	Collateral cash E	F=C-D-E
Derivative assets	127	-	127	56	68	3
Derivative liabilities	56	-	56	56	-	-

2017

	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Net amounts
(in € million)	A	B	C=A-B	Derivative instruments D	Collateral cash E	F=C-D-E
Derivative assets	164	-	164	68	99	(3)
Derivative liabilities	68	-	68	68	-	-

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

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

34.6.2 Banking financial instruments

2018

	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Securities received/ given as guarantees	Net amounts
	A	B	C=A-B	Financial instruments D	Collateral cash D	E	F=C-D-E
(in € million)							
Assets							
Financial instruments at fair value through profit or loss	11,397	-	11,397	639	914	-	9,845
Of which derivatives (including hedging derivatives)	1,618	-	1,618	639	914	-	65
Customer and credit institutions loans and receivables	188,314	5,226	183,088	264	-	416	182,407
Of which securities under repurchase agreements	5,907	5,226	681	264	-	416	
Accruals and other assets	2,981	-	2,981	3	-	-	2,978
Of which deposits and guarantees paid	5	-	5	3	-	-	2
Other assets not offset	47,734	-	47,734	-	-	-	47,734
TOTAL ASSETS	250,427	5,226	245,200	906	914	416	242,965
Liabilities							
Financial instruments at fair value through profit or loss	1,157	-	1,157	639	216	-	302
Of which derivatives (including hedging derivatives)	878	-	878	639	216	-	23
Customer and credit institutions liabilities	209,915	5,226	204,688	264	36	18,237	186,151
Of which securities under repurchase agreements	23,779	5,226	18,553	264	36	18,237	16
Other liabilities not offset (excluding equity)	29,688	-	29,688	-	-	-	29,688
TOTAL LIABILITIES	240,759	5,226	235,533	902	252	18,237	216,141

2017

	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Securities received/ given as guarantees	Net amounts
	A	B	C=A-B	Financial instruments D	Collateral cash D	E	F=C-D-E
(in € million)							
Assets							
Financial instruments at fair value through profit or loss	7,596	-	7,596	448	1,162	-	5,986
Of which derivatives (including hedging derivatives)	1,634	-	1,634	448	1,162	-	24
Customer and credit institutions loans and receivables	93,075	4,940	88,135	200	1	102	87,833
Of which securities under repurchase agreements	5,164	4,940	225	200	1	102	(78)
Accruals and other assets	3,411	-	3,411	8	-	-	3,403
Of which deposits and guarantees paid	10	-	10	8	-	-	2
Other assets not offset	132,334	-	132,334	-	-	-	132,334
TOTAL ASSETS	236,416	4,940	231,477	655	1,163	102	229,556
Liabilities							
Financial instruments at fair value through profit or loss	238	-	238	448	288	-	(498)
Of which derivatives (including hedging derivatives)	743	-	743	448	288	-	7
Customer and credit institutions liabilities	187,503	4,940	182,564	200	43	13,892	168,430
Of which securities under repurchase agreements	19,171	4,940	14,232	200	43	13,892	98
Other liabilities not offset (excluding equity)	38,581	-	38,581	-	-	-	38,581
TOTAL LIABILITIES	226,323	4,940	221,383	647	331	13,892	206,513

NOTE 35 RELATED PARTY TRANSACTIONS

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35.1 Relations with the French government and public sector companies

35.1.1 Relations with the French government

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

A new Public Service Agreement was approved by the Board of Directors on 19 December 2017, and signed on 16 January 2018 between La Poste and the French government for the 2018-2022 period. This agreement is an extension of the previous agreement, and aims at ensuring and modernising the exercise of the four public service missions of La Poste. These missions benefit from the support of the French State, in exchange for which La Poste commits to respecting ambitious quality indicators.

Moreover, the agreement develops the use of citizen commitments to promote the development of a digital society, of local services, and of a sustainable and responsible development.

The French Postal Regulation Act of 20 May 2005 provided Arcep with the power to regulate pricing for the universal postal service

on a multi-year basis, after reviewing La Poste's proposals. The Act also confirmed and clarified La Poste's regional development responsibilities.

In the case of the Group's banking activities, the French government sets the commission rates on regulated savings products, *i.e.* Livret A passbook savings accounts, sustainable development savings accounts and popular savings accounts. The change in these rates has a direct impact on La Banque Postale's net banking income.

35.1.2 Relations with public sector companies

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

35.2 Relations with consolidated companies

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

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

(in € million)	31/12/2018	31/12/2017
Income	606	570
Expenses	-	-
Accounts receivable	127	109
Liabilities	288	256

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

35.3 Remuneration of administration and management bodies

The remuneration of Le Groupe La Poste senior executives amounted to €5.3 million in total for the year ended 31 December 2018 (€4.9 million in 2017). Senior executives do not benefit from any specific post-employment benefits.

The Group's main senior executives are the members of the Executive Committee and the members of the Board of Directors (whose remuneration comprises attendance fees, for the most part paid back to the State or to Caisse des Dépôts, and the salaries of employee representatives). Attendance fees paid in 2018 amounted to €0.2 million (€0.2 million in 2017).

NOTE 36 STRUCTURED ENTITIES

36.1 Consolidated structured entities	391	36.2 Unconsolidated structured entities	391

36.1 Consolidated structured entities

Pursuant to IFRS 10 and 11, and taking into account materiality, the Group consolidates three structured entities, FCT Elise 2012, LBP Dutch Mortgage Portfolio 1 and LBP Dutch Mortgage Portfolio 2.

The "FCT Elise 2012" entity was first consolidated in October 2012. It is a French fund whose debt is owned at 95% by La Banque Postale, and at 5% by Crédit Foncier de France. This fund carries in its balance sheet assets interest-free loans granted to retail customers of La Banque Postale pre-dating 2010 (date of the launch of interest-free loans in the bank's balance sheet). This fund represents total assets of €353 million as at 31 December 2018. It is fully consolidated.

Two Dutch mutual receivables funds, LBP Dutch Mortgage Portfolio 1 and 2, were first consolidated respectively in October and November 2017. These funds, whose debt is owned at 100% by La Banque Postale, carry in their balance sheet assets home loans granted to retail customers of Aegon Hypotheken and Rabobank. The total net amount of loans carried by these funds represent €1,141 million and €1,311 million, respectively. They are fully consolidated.

36.2 Unconsolidated structured entities

As at 31 December 2018, the Group identified the two following classes of non-consolidated structured entities: securitisation and asset management.

Structured entities with financial interests

As at 31 December 2018, the only significant operations with structured entities with financial interests within the Group are financial liabilities at fair value through profit or loss for €86 million, and €68 million in shares of securitisation funds. Revenues earned by the Group from these entities amounted to €80 million and are mainly comprised of management fees. No loss was recorded as at 31 December 2018.

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

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

Structured entities without financial ties

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

Revenues earned by the Group from these entities amounted to €63 million and are mainly comprised of management fees.

NOTE 37 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

37.1 Lease commitments	391	37.4 Other commitments received	393
37.2 Banking activities commitments	392	37.5 Other commitments	393
37.3 Other commitments given	392	37.6 Contingent liabilities	393

37.1 Lease commitments

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

(in € million)	31/12/2018	31/12/2017
Less than 1 year	614	599
1 to 5 years	1,301	1,201
Over 5 years	816	729
TOTAL	2,731	2,529

Operating lease payments amounted to €807 million in 2018 (€775 million in 2017).

37.2 Banking activities commitments

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

(in € million)	31/12/2018	31/12/2017
Financing and guarantee commitments and commitments on securities given		
Financing commitments		
• to credit institutions	1,576	1,182
• to customers	23,235	19,367
Guarantee commitments		
• to credit institutions	379	402
• to customers ^(a)	1,938	1,877
Commitments on securities to be delivered	3,213	1,382
Financing and guarantee commitments and commitments on securities received		
Financing commitments		
• from credit institutions ^(b)	1,967	870
• from customers	1,620	1,136
Guarantee commitments		
• from credit institutions	33,998	31,473
• from customers	4,639	9,167
Commitments on securities to be received	461	246
Other commitments given ^{(b)(c)}	11,708	9,628
Other commitments received	2,417	1,410

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

(b) Of which commitments given (€653 million) and received (€600 million) as part of the "3 G" guarantee management arrangement with the Banque de France, which allows banks to jointly manage all collateral relating to their refinancing transactions with Banque de France.

(c) In 2018, this includes commitments of €10,869 million (€8,490 million in 2017) relating to home loans given in guarantees of bonds issued by La Banque Postale Home Loan SFH, the housing financing company of the Group.

Commitments related to Crédit Logement

Le Groupe La Poste has undertaken to maintain Crédit Logement's basic equity, in proportion to its 6% interest, so that Crédit Logement can meet its solvency ratio.

The Group has undertaken, where applicable, to replenish Crédit Logement's mutual guarantee fund, which covers borrower default on the loans held on Crédit Logement's books. This commitment, which corresponds to the proportion of loans distributed by La Poste's network, amounted to €236 million as at 31 December 2018.

37.3 Other commitments given

37.3.1 Guarantees and endorsements

Total guarantees and endorsements given amounted to €25 million as at 31 December 2018.

37.3.2 Commitments relating to the acquisition of SEUR

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

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

These options are exercisable over a period of 20 years as from 10 March 2008, subject to the acquisition of a franchise by GeoPost subsequent to this agreement. The purchase obligation guaranteed by GeoPost is subject to an annual ceiling of €100 million.

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

37.3.3 Commitment related to the acquisition of DPD Bulgaria and DPD Romania

In relation to the sale of DPD Bulgaria and DPD Romania in November 2014, GeoPost SA provided a set of guarantees to the acquirer, including guarantees of ownership of the securities and tax and social guarantees, for a period of 60 months.

Potential compensation will be equal to 100% of damages and up to:

- for the acquisition of DPD Bulgaria: €417 thousand, except for the ownership of securities for which the guarantee is up to the sale price of 100% of the shares, i.e. €4.2 million;
- for the acquisition of DPD Romania: €892 thousand, except for the ownership of securities for which the guarantee is up to the sale price of 100% of the shares, i.e. €8.8 million and the tax and social guarantees granted for a maximum amount of €2 million.

To be admissible, a claim must be for more than €10 thousand or the sum of claims must be for more than €50 thousand.

37.3.4 Sponsorship

La Poste committed to finance several sponsorship projects for a total amount of €10.5 million as at 31 December 2018.

37.4 Other commitments received

37.4.1 Guarantees and endorsements

Total guarantees and endorsements received amounted to €72 million as at 31 December 2018, including €58 million for La Poste.

37.4.2 Credit facilities

The Group has access to a €1 billion renewable credit facility with a 5-year maturity until March 2023, for which it received a commitment from 11 banks in a banking pool. This facility had not been used as at 31 December 2018.

37.4.3 Property sale commitments

La Poste has entered into property sale commitments that are expected to be completed in 2019 or later. As at 31 December 2018, the commitments received in this respect amounted to €36 million in total.

37.4.4 Call options on securities

On 21 December 2000, Caisse d'Épargne group granted Le Groupe La Poste an unreserved irrevocable call option on CNP Assurances shares and additional securities representing 2% of the share capital of CNP Assurances.

37.4.5 Liabilities guarantees

As part of its business acquisition transactions, the Group was granted by the sellers liabilities guarantees which cannot be precisely estimated, as they depend on trigger thresholds and/or caps.

37.4.6 Non-compete clauses

As part of the acquisition of SEUR franchises in Spain and Portugal, the sellers committed to non-compete clauses whose violation would require the sellers to pay compensation in the total amount of €8.5 million.

37.5 Other commitments

37.5.1 Shareholders' agreement regarding CNP Assurances

The French government, Caisse des Dépôts, Caisse Nationale des Caisses d'Épargne et de Prévoyance (CNCE), Le Groupe La Poste and Sopassure have entered into a shareholders' agreement regarding CNP Assurances. The agreement, which was originally set to expire on 31 December 2008, was extended to 31 December 2019.

Pursuant to the asset transfer agreement between La Poste and La Banque Postale, La Poste's rights and obligations under this shareholders' agreement were taken over by La Banque Postale.

37.5.2 Commitments relating to the acquisition of a portion of the SAS Carte Bleue shares

As part of SF2's acquisition of an interest in SAS Carte Bleue, La Poste has undertaken to retain a majority interest in its SF2 subsidiary.

In addition, SF2 has granted La Poste a call option over all of the shares and related rights to the SAS Carte Bleue share capital that La Poste could exercise should it become a minority shareholder in SF2. In this event, the purchase price of the SAS Carte Bleue shares shall be jointly agreed upon between La Poste and SF2.

Pursuant to the asset transfer agreement between La Poste and La Banque Postale, La Poste's rights and obligations under this shareholders' agreement were taken over by La Banque Postale.

37.6 Contingent liabilities

The Group is not aware of any material risks for which no provision has been recorded in the consolidated financial statements.

NOTE 38 BANKING ACTIVITIES BALANCE SHEET

38.1 La Banque Postale sub-group balance sheet
(in banking format)

394

38.2 Banking assets and liabilities
by residual maturity

395

38.1 La Banque Postale sub-group balance sheet (in banking format)

Assets

(in € million)	31/12/2018	31/12/2017
Cash on hand and at central banks	2,007	3,325
Financial assets at fair value through profit or loss	10,060	7,366
Hedging derivatives	1,159	1,146
Financial assets at fair value through OCI	13,864	17,850
Financial assets classified at amortised cost	23,582	20,734
Loans and receivables – Credit institutions	87,352	84,088
Loans and receivables – Customers	95,671	88,048
Revaluation adjustment on interest-rate hedged portfolios	82	69
Securities of insurance activities	2,810	-
Tax assets	242	181
Accruals and other assets	2,872	3,340
Investments in equity associates	3,260	3,376
Tangible and intangible assets, and investment properties	1,195	1,047
Net goodwill – Assets	143	143
Elimination of investments	(4,052)	(4,052)
TOTAL	240,246	226,660

Liabilities

(in € million)	31/12/2018	31/12/2017
Financial liabilities at fair value through profit or loss	631	302
Hedging derivatives	348	238
Inter-bank and similar transactions: Liabilities to credit institutions	18,877	14,154
Customer transactions	185,802	182,556
Debt evidenced by a certificate	16,934	11,373
Revaluation adjustment on interest-rate hedged portfolios	743	721
Tax liabilities	116	192
Accruals and sundry liabilities	4,982	4,837
Underwriting reserves of insurance companies	2,480	2,376
Provisions	469	478
Subordinated debt	3,080	3,089
Non-controlling interests	113	104
Equity, Group share	5,241	5,681
Consolidated reserves and other	4,515	4,891
Net profit/(loss) Group share	726	790
Balance of transactions with the rest of the Group – Impact on income	-	-
Balance of transactions with the rest of the Group – Impact on the balance sheet	432	559
TOTAL	240,246	226,660

38.2 Banking assets and liabilities by residual maturity

(in € million)	Maturities of under 1 year	Maturities of over 1 year	Total
Assets by residual maturity			
Cash and central bank deposits	2,007	-	2,007
Securities portfolio	11,160	37,505	48,665
Receivables from credit institutions	85,854	1,498	87,352
Customer loans and receivables	15,448	80,223	95,671
Investments of insurance companies, excluding reinsurers' share of underwriting provisions	175	2,338	2,513
Revaluation adjustment on portfolio interest rate hedging – Assets	4	78	82
Liabilities by residual maturity			
Other financial liabilities	64	915	979
Liabilities to credit institutions	18,295	582	18,877
Liabilities to customers	184,994	807	185,802
Debt evidenced by a certificate	8,335	8,599	16,934
Subordinated debt	21	3,059	3,080
Revaluation adjustment on portfolio interest rate hedging – Liabilities	2	741	743

NOTE 39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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39.3	Change in working capital requirement	396	39.7	Redemption of borrowings	397
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			39.9	Change in net cash from banking activities	397

39.1 Reconciliation between net profit/(loss) and cash flows from operating activities before the cost of net financial debt and tax

(in € million)	Note	2018	2017
Consolidated net profit/(loss)		837	893
Share in profits of equity associates		(277)	(305)
Unrealised gains and losses on fair value adjustments (excluding Banking activities)		3	(5)
Gains and losses on disposal (including dilution)		(161)	(42)
Net changes in provisions		(163)	238
Depreciation, amortisation and impairment	39.2	1,080	991
Other non-cash income and expenses		(57)	-
Operating cash flow after the cost of net financial debt and tax		1,261	1,769
Cost of net financial debt ^(a)		157	159
Corporation tax (including deferred taxes)		161	249
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE COST OF NET DEBT AND TAXES		1,579	2,176

(a) Excluding change in unrealised gains and losses on fair value adjustments

39.2 Depreciation, amortisation and impairment

(in € million)	2018	2017
Additions to and reversals of amortisation of operating profit/(loss)	1,009	988
Additions to and reversals of amortisation of financial profit/(loss)	4	(3)
Impairment of goodwill	67	7
TOTAL	1,080	991

39.3 Change in working capital requirement

(in € million)	2018	2017
Change in inventories and work-in-progress	(9)	(19)
Change in operating receivables	(248)	(99)
Change in operating payables and other operating assets and liabilities	(141)	262
TOTAL	(397)	145

39.4 Change in balance of banking sources and uses

(in € million)	2018	2017
Change in Banking activities securities portfolio	86	7,867
Change in Banking activities loans and receivables	(11,399)	(9,264)
Change in credit institution receivables (Banking activities)	1,709	495
Change in other Banking activities current financial assets	(119)	308
Change in liabilities to credit institutions (Banking activities)	4,193	(4,873)
Change in customer transactions (Banking activities)	3,246	6,887
Change in other financial liabilities (Banking activities)	5,373	(435)
Change in accruals (Banking activities)	847	(181)
TOTAL	3,937	804

39.5 Outflows for acquisitions of tangible and intangible assets

(in € million)	2018	2017
Acquisitions of intangible assets	(519)	(463)
Acquisitions of tangible assets	(998)	(880)
Change in payables to suppliers of non-current assets	25	(8)
TOTAL	(1,493)	(1,352)

39.6 Proceeds from new borrowings

(in € million)	2018	2017
Bonds	500	-
Borrowings from credit institutions	10	7
Commercial paper	380	251
Other borrowings and similar debt	1	152
TOTAL	890	410

39.7 Redemption of borrowings

(in € million)	2018	2017
Borrowings from credit institutions	(20)	(23)
La Poste savings bonds	(1)	(2)
Commercial paper	(381)	(100)
Borrowings on finance leases	(19)	(19)
Other borrowings and similar debt	(502)	(603)
TOTAL	(924)	(747)

39.8 Other cash flows from financing activities

(in € million)	2018	2017
Collection of deposits and guarantees received	3	5
Repayment of deposits and guarantees received	(32)	(138)
Other	(37)	27
TOTAL	(67)	(107)

39.9 Change in net cash from banking activities

(in € million)	Note	2018	2017
Opening cash and central bank deposits (assets)		3,325	2,732
Sight loans and receivables - credit institutions (assets)		10,318	10,199
Sight loans and receivables - credit institutions (liabilities)		(724)	(698)
Opening		12,920	12,233
Closing cash and central bank deposits (assets)	23.2	2,007	3,325
Sight loans and receivables - credit institutions (assets)	20.2	15,767	10,318
Sight loans and receivables - credit institutions (liabilities)	30.1	(1,279)	(724)
Closing		16,495	12,920
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS FROM BANKING ACTIVITIES		3,575	687
of which impact of changes in consolidation scope		-	-
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS FROM BANKING ACTIVITIES ON THE BALANCE SHEET BEFORE IMPACT OF CHANGES IN CONSOLIDATION SCOPE		3,575	687

NOTE 40 FEES PAID TO THE STATUTORY AUDITORS

Pursuant to Decree No. 2008-1487 of 30 December 2008, the fees paid to the Statutory Auditors recognised by La Poste and its consolidated companies in the income statement are set out below.

2018

(€ million excl. tax)	KPMG	%	PWC	%
Statutory audit, certification, review of separate and consolidated financial statements				
• parent company	0,7	13%	0,7	22%
• fully consolidated subsidiaries	4,0	76%	2,1	64%
	4,7	88%	2,8	87%
Service other than Statutory Auditor's assignment				
• parent company	0,3	6%	0,2	6%
• fully consolidated subsidiaries	0,3	6%	0,2	7%
	0,6	12%	0,4	13%
TOTAL	5,3	100%	3,3	100%

2017

(€ million excl. tax)	KPMG	%	PWC	%
Statutory audit, certification, review of separate and consolidated financial statements				
• parent company	0,7	14%	0,7	19%
• fully consolidated subsidiaries	3,7	76%	2,3	64%
	4,4	90%	3,0	83%
Service other than Statutory Auditor's assignment				
• parent company	0,2	4%	0,2	6%
• fully consolidated subsidiaries	0,3	6%	0,4	11%
	0,5	10%	0,6	17%
TOTAL	4,9	100%	3,6	100%

The services provided by PwC are as follows: statements and agreed procedures, letters of comfort relating to EMTN programme updates or bond issues, training, assessments of internal control procedures and information systems, and technical consultations.

The services provided by KPMG are as follows: statements and agreed procedures, letters of comfort to EMTN programme updates or bond issues, assessments of internal control procedures, accounting consultations, and assessments of employment, environmental and social data or indicators.

NOTE 41 POST-BALANCE SHEET EVENTS

None.

NOTE 42 SCOPE OF CONSOLIDATION

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
CONSOLIDATING COMPANY							
LA POSTE							
9 rue du Colonel Pierre Avia							
75757 PARIS CEDEX 15							
SERVICES-MAIL-PARCELS SEGMENT							
ADIMMO	France	52.63	52.63	99.90	99.90	FC	FC
ADIR ASSISTANCE	France	52.68	52.68	100.00	100.00	FC	FC
AGEVIE	France	52.68	52.68	100.00	100.00	FC	FC
AIR A DOMICILE	France	52.68	52.68	100.00	100.00	FC	FC
ALISEO	France	52.68	52.68	100.00	100.00	FC	FC
Asendia Austria GmbH	Austria	-	60.00	-	100.00	-	FC
Asendia Benelux B.V.	Netherlands	-	60.00	-	100.00	-	FC
Asendia Germany GmbH	Germany	-	60.00	-	100.00	-	FC
Asendia Holding AG	Switzerland	50.00	60.00	50.00	60.00	EM	FC
Asendia Honk Kong Ltd	Hong Kong	-	60.00	-	100.00	-	FC
Asendia Italy S.p.A.	Italy	-	60.00	-	100.00	-	FC
Asendia Mgmt SAS	France	-	60.00	-	100.00	-	FC
Asendia Mgmt SAS, branch bern	Switzerland	-	60.00	-	100.00	-	FC
Asendia Nordic AB	Sweden	-	60.00	-	100.00	-	FC
Asendia Nordic AB, brench Danemark	Denmark	-	60.00	-	100.00	-	FC
Asendia Norway A/S	Norway	-	60.00	-	100.00	-	FC
Asendia Opérations (SCL)	Germany	-	60.00	-	100.00	-	FC
Asendia Opérations Verwaltung GmbH	Germany	-	60.00	-	100.00	-	FC
Asendia Press Edigroup SA	Switzerland	-	60.00	-	100.00	-	FC
Asendia Press EDS AG	Switzerland	-	60.00	-	100.00	-	FC
Asendia Singapore	Singapore	-	60.00	-	100.00	-	FC
Asendia Spain S.L.	Spain	-	60.00	-	100.00	-	FC
Asendia UK Ltd	United Kingdom	-	60.00	-	100.00	-	FC
Asendia USA	United States	-	60.00	-	100.00	-	FC
ASTEN Est	France	-	52.68	-	100.00	-	FC
ASTEN Santé	France	52.68	52.68	52.68	52.68	FC	FC
Axeo Developpement	France	51.00	51.00	51.00	100.00	FC	FC
Axeo Pro Services	France	51.00	51.00	51.00	100.00	FC	FC
Axeo Services	France	51.00	51.00	51.00	100.00	FC	FC
Axeo Travaux	France	51.00	51.00	51.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Bien Etre Assistance	France	-	24.90	-	24.90	-	EM
BlueSom	France	41.15	50.05	78.12	95.00	FC	FC
BTB Mailflight	United Kingdom	-	60.00	-	100.00	-	FC
BTB Mailflight Holding	United Kingdom	-	60.00	-	100.00	-	FC
Budget Box	France	40.01	40.01	40.01	40.01	EM	EM
Cassiop	France	70.01	70.01	70.01	70.01	FC	FC
Coordination Axéo	France	51.00	51.00	51.00	100.00	FC	FC
Creat Direct	Romania	100.00	100.00	100.00	100.00	FC	FC
DDS	France	52.68	52.68	100.00	100.00	FC	FC
Diadom Care	France	-	100.00	-	100.00	-	FC
Diadom SAS	France	-	100.00	-	100.00	-	FC
EAP France	France	-	24.90	-	24.90	-	EM
Eurobussula LDA	Portugal	100.00	100.00	100.00	100.00	FC	FC
Financière Axéo	France	51.00	51.00	51.00	51.00	FC	FC
GEOPTIS	France	100.00	100.00	100.00	100.00	FC	FC
GIE SANTE À DOMICILE	France	41.15	-	85.71	-	FC	-
Globegisticis Inc.	United States	-	60.00	-	100.00	-	FC
Greenovia	France	100.00	-	100.00	-	FC	-
H2AD	France	50.91	50.91	96.64	96.64	FC	FC
HELLOCASA	France	50.00	-	50.00	-	EM	-
Help Confort	France	48.45	48.45	51.00	95.00	FC	FC
Help Confort ST Nazaire	France	51.00	51.00	51.00	100.00	FC	FC
Hit Mail Bulgaria	Bulgaria	-	100.00	-	100.00	-	FC
Inbox Marketing	Romania	98.40	98.40	98.40	98.40	FC	FC
Innovagency	Portugal	-	75.77	-	75.77	-	FC
Innovagency Resources	Portugal	-	75.77	-	100.00	-	FC
Interactions Marketing	Romania	90.00	90.00	90.00	90.00	FC	FC
La Poste Global Mail	France	100.00	100.00	100.00	100.00	FC	FC
La Poste IMS	France	-	60.00	-	100.00	-	FC
La Poste Nouveaux services	France	100.00	100.00	100.00	100.00	FC	FC
La Poste Services à la Personne (ex-Veiller sur mes parents)	France	100.00	100.00	100.00	100.00	FC	FC
La Poste Silver	France	100.00	100.00	100.00	100.00	FC	FC
La Poste silver 2	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost Distribuição Postal	Portugal	100.00	100.00	100.00	100.00	FC	FC
Mediapost Espagne	Spain	100.00	100.00	100.00	100.00	FC	FC
Mediapost Hit Mail	Romania	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Mediapost SAS	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost SGPS	Portugal	100.00	100.00	100.00	100.00	FC	FC
Metrica	Bulgaria	-	60.00	-	60.00	-	FC
Meyem	Spain	100.00	-	100.00	-	FC	-
Mil Services	France	51.00	51.00	51.00	100.00	FC	FC
Mobigreen	France	100.00	100.00	100.00	100.00	FC	FC
Mobile Marketing	Romania	90.00	90.00	90.00	90.00	FC	FC
Morin Développement	France	100.00	100.00	100.00	100.00	FC	FC
Morin Logistic	France	100.00	100.00	100.00	100.00	FC	FC
Morin Logistic Sud	France	100.00	100.00	100.00	100.00	FC	FC
MSCM2	France	50.91	50.91	100.00	100.00	FC	FC
Neolog	France	100.00	100.00	100.00	100.00	FC	FC
Neopress Direct	France	100.00	-	100.00	-	FC	-
Neopress Routage	France	66.00	-	66.00	-	FC	-
North America Direct, Inc.	United States	-	30.06	-	100.00	-	FC
Nouvelle Attitude SAS	France	100.00	100.00	100.00	100.00	FC	FC
Organisme Formation Services	France	51.00	51.00	51.00	100.00	FC	FC
Orium	France	100.00	100.00	100.00	100.00	FC	FC
Orium GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
PARAMÉDICAL DE LA PLAINE	France	52.68	52.68	100.00	100.00	FC	FC
Proximy	France	25.00	25.00	25.00	25.00	EM	EM
Recygo	France	-	51.00	-	51.00	-	FC
S2A OXYGENE	France	39.59	47.25	75.16	89.69	FC	FC
S2A Santé	France	52.68	52.68	52.68	100.00	FC	FC
SADIMMO	France	47.41	47.41	90.00	90.00	FC	FC
SADIR ASSISTANCE	France	52.68	52.68	100.00	100.00	FC	FC
SCI STP Immo	France	100.00	100.00	100.00	100.00	FC	FC
SMP	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Gestion	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Informatique	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Marketing	France	100.00	100.00	100.00	100.00	FC	FC
SOGEFINAD	France	100.00	100.00	100.00	100.00	FC	FC
Somepost	France	100.00	100.00	100.00	100.00	FC	FC
SPI UK	United Kingdom	-	60.00	-	100.00	-	FC
STP SA	France	100.00	100.00	100.00	100.00	FC	FC
Tikeasy	France	100.00	100.00	100.00	100.00	FC	FC
US Direct (Singapore) PTE Ltd	Singapore	-	30.06	-	100.00	-	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
US Direct eCommerce Holding Ltd	Ireland	-	30.06	-	50.10	-	FC
US Direct eCommerce Ltd	Ireland	-	30.06	-	100.00	-	FC
US Direct eCommerce Nominee DAC	Ireland	-	30.06	-	100.00	-	FC
ViaPost	France	100.00	100.00	100.00	100.00	FC	FC
Viapost Ascq	France	100.00	100.00	100.00	100.00	FC	FC
Viapost Dourges	France	100.00	100.00	100.00	100.00	FC	FC
Viapost Maintenance	France	-	100.00	-	100.00	-	FC
Viapost Transport Management	France	100.00	100.00	100.00	100.00	FC	FC
GEOPOST SEGMENT							
GeoPost	France	100.00	100.00	100.00	100.00	FC	FC
360° Services SAS	France	-	100.00	-	100.00	-	FC
ACP Global Forwarding	Poland	100.00	100.00	100.00	100.00	FC	FC
Alturing	France	100.00	100.00	100.00	100.00	FC	FC
Albatross Logistics Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
A.L.P SAS	France	-	100.00	-	100.00	-	FC
Armadillo Holding GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
Biocair Asia Ltd	Hong Kong	100.00	100.00	100.00	100.00	FC	FC
Biocair Australia PTY Ltd	Australia	100.00	100.00	100.00	100.00	FC	FC
Biocair Belgium	Belgium	100.00	100.00	100.00	100.00	FC	FC
Bio Cair Forwarding Intern. Co Ltd	China	100.00	100.00	100.00	100.00	FC	FC
Biocair Germany GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
Biocair Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
Biocair International Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Biocair Singapore Pte Ltd	Singapore	100.00	100.00	100.00	100.00	FC	FC
Biocair South Africa Ltd	South Africa	100.00	100.00	100.00	100.00	FC	FC
BioLogistic SAS	France	100.00	100.00	100.00	100.00	FC	FC
Bloomsburys GmbH	Germany	80.00	100.00	100.00	100.00	FC	FC
Buy Online GmbH	Germany	71.92	71.92	100.00	100.00	FC	FC
Calédonie Express	France	60.00	60.00	60.00	60.00	EM	EM
Castlegate 555 Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Chronopost	France	100.00	100.00	100.00	100.00	FC	FC
Chronopost Food	France	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Burkina Faso	Burkina Faso	40.00	40.00	40.00	40.00	EM	EM
Chronopost International Portugal	Portugal	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Algérie	Algeria	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Côte d'Ivoire	Ivory Coast	50.00	50.00	50.00	50.00	FC	FC
Chronopost International Niger	Niger	50.00	50.00	50.00	50.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Chronopost International Maroc	Morocco	34.00	34.00	34.00	34.00	EM	EM
Delifresh IDF	France	-	100.00	-	100.00	-	FC
DPD Austria	Austria	25.57	25.57	25.57	25.57	EM	EM
DPD Belarus	Belarus	100.00	100.00	100.00	100.00	FC	FC
DPD Belgium NV	Belgium	100.00	100.00	100.00	100.00	FC	FC
DPD Croatia	Croatia	100.00	100.00	100.00	100.00	FC	FC
DPD Czech Republic	Czech Republic	100.00	100.00	100.00	100.00	FC	FC
DPD Deutschland GmbH (ex DPD GeoPost GmbH)	Germany	100.00	100.00	100.00	100.00	FC	FC
DPD Eesti AS	Estonia	100.00	100.00	100.00	100.00	FC	FC
DPD France	France	100.00	100.00	100.00	100.00	FC	FC
DPD Group International Services GmbH & Co. KG (ex-DPD Aschaffenburg)	Germany	100.00	100.00	100.00	100.00	FC	FC
DPDgroup IT Solutions	Poland	-	100.00	-	100.00	-	FC
DPD Hungaria kft	Hungary	100.00	100.00	100.00	100.00	FC	FC
DPD Ireland Ltd	Ireland	100.00	100.00	100.00	100.00	FC	FC
DPDgroup UK Ltd (ex-GeoPost Uk Ltd)	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD Laser	South Africa	75.00	75.00	75.00	75.00	FC	FC
DPD Laser Mauritius Ltd	Mauritius	62.25	62.25	75.00	75.00	FC	FC
DPD Latvija SIA	Latvia	100.00	100.00	100.00	100.00	FC	FC
DPD Lietuva UAB	Lithuania	100.00	100.00	100.00	100.00	FC	FC
DPD Local UK Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD Luxembourg SA	Luxembourg	100.00	100.00	100.00	100.00	FC	FC
DPD Netherlands BV	Netherlands	100.00	100.00	100.00	100.00	FC	FC
DPD Polska	Poland	100.00	100.00	100.00	100.00	FC	FC
DPD Schweiz AG	Switzerland	100.00	100.00	100.00	100.00	FC	FC
DPD Slovakia Sro	Slovakia	100.00	100.00	100.00	100.00	FC	FC
DPD Slovenia	Slovenia	100.00	100.00	100.00	100.00	FC	FC
DPD Strefa Paczki	Poland	100.00	100.00	100.00	100.00	FC	FC
DPD(UK)Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD Ukraine	Ukraine	100.00	-	100.00	-	FC	-
DPD RUS (ex Armadillo Bizpak)	Russia	77.90	77.90	100.00	100.00	FC	FC
DS Russia GmbH & Co. Asset KG	Germany	77.90	77.90	77.90	77.90	FC	FC
DS Russia GP GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
DS Russia Management GmbH	Germany	77.90	77.90	77.90	77.90	FC	FC
DTDC	India	43.17	42.52	43.17	42.52	EM	EM
Dynamic Parcel Distribution Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Eatingdesk	Belgium	80.00	100.00	100.00	100.00	FC	FC
E-Radius Informatikai Szolgáltató LLC	Hungary	100.00	100.00	100.00	100.00	FC	FC
Flap Locadora e Trans. Ltda.	Brazil	60.00	60.00	60.00	60.00	FC	FC
Forwarder Line Logistik	Liechtenstein	100.00	100.00	100.00	100.00	FC	FC
Freshlog SAS	France	-	100.00	-	100.00	-	FC
GeoPost Americas Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
GeoPost Espagne	Spain	92.76	100.00	92.76	100.00	FC	FC
GeoPost Holdings Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
GeoPost IMDH GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
GeoPost Intermediate Holdings	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
GeoPost Ireland Limited	Ireland	100.00	100.00	100.00	100.00	FC	FC
GeoPost Urban Logistics	France	100.00	100.00	100.00	100.00	FC	FC
GeoPost YK Servisi AS	Turkey	51.00	-	51.00	-	FC	-
Gourmet delivery	Spain	80.00	100.00	100.00	100.00	FC	FC
GP Caspian	Kazakhstan	100.00	100.00	100.00	100.00	FC	FC
Groupe SRT (STUART)	France	100.00	100.00	100.00	100.00	FC	FC
Gruppo BRT	Italia	37.50	37.50	37.50	37.50	EM	EM
Iloxx GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
Interlink Express Plc	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Interlink Express Parcels Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Jadlog Logística Ltda.	Brazil	60.00	60.00	60.00	60.00	FC	FC
JLGP Brasil Participações Ltda	Brazil	100.00	100.00	100.00	100.00	FC	FC
KDAG Holdings Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Keyopstech	France	95.00	95.00	95.00	95.00	FC	FC
Keyopstech Ivoire SARL	Ivory Coast	-	90.25	-	100.00	-	FC
KOT Ivoire SAS	France	-	90.25	-	95.00	-	FC
La Navette Pick-up	France	100.00	-	100.00	-	FC	-
Lenton Group Ltd	Hong Kong	34.65	34.65	34.65	34.65	EM	EM
L'espace Pro SAS	France	100.00	100.00	100.00	100.00	FC	FC
LWW South Africa	South Africa	71.92	71.92	100.00	100.00	FC	FC
Mail Plus Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Menexpres	Spain	92.76	100.00	100.00	100.00	FC	FC
Ninja Logistics Pte. Ltd	Singapore	-	32.27	-	32.27	-	EM
Packcity France	France	25.00	25.00	25.00	25.00	EM	EM
Packcity GeoPost	France	50.50	50.50	34.00	34.00	EM	EM
Parceline Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
ParcelLock GmbH	Germany	33.33	50.00	33.33	50.00	EM	EM

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Paquetes Logrono, S.L.	Spain	-	100.00	-	100.00	-	FC
PickPoint (Russia) LLC	Russia	28.44	29.06	28.44	29.06	EM	EM
Pickpoint Delivery System Ltd. (Cyprus)	Cyprus	28.44	29.06	28.44	29.06	EM	EM
Pickup Services	France	100.00	100.00	100.00	100.00	FC	FC
Pickup Store	France	100.00	100.00	100.00	100.00	FC	FC
Pie Mapping Software Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Pour de bon	France	46.76	46.76	46.76	46.76	EM	EM
Red Logistica Navarra SA	Spain	78.80	-	90.24	-	FC	-
Resto-in	France	80.00	100.00	80.00	100.00	FC	FC
Resto-in Uk	United Kingdom	80.00	100.00	100.00	100.00	FC	FC
SCI EXA Immo	France	100.00	100.00	100.00	100.00	FC	FC
SCI Examurs Paris	France	100.00	100.00	100.00	100.00	FC	FC
Sci Intel Immo	France	100.00	100.00	100.00	100.00	FC	FC
SEUR Espana Operaciones	Spain	87.33	93.68	100.00	100.00	FC	FC
SEUR GeoPost	Spain	92.76	100.00	100.00	100.00	FC	FC
SEUR Gerencia de Riesgos	Spain	87.33	93.68	100.00	100.00	FC	FC
SEUR Logistica S.A.	Spain	87.33	93.68	100.00	100.00	FC	FC
SEUR Portugal (Lisepo)	Portugal	100.00	100.00	100.00	100.00	FC	FC
SEUR, S.A.	Spain	87.33	93.68	89.56	93.68	FC	FC
Signet International Holding Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Signet International Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Siodemka Systemy Sp z o.o.	Poland	100.00	100.00	100.00	100.00	FC	FC
Sodexi	France	35.00	35.00	35.00	35.00	EM	EM
Someva, S.L.U.	Spain	87.33	93.68	100.00	100.00	FC	FC
Speedy AD	Bulgaria	25.00	24.81	25.00	24.81	EM	EM
SPSR Express (Russie) LLC	Russia	77.90	77.90	100.00	100.00	FC	FC
SRT France SAS	France	100.00	100.00	100.00	100.00	FC	FC
Stuart Delivery LTD	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Stuart Delivery, S.L.	Spain	100.00	100.00	100.00	100.00	FC	FC
TD eLogistics	France	100.00	100.00	100.00	100.00	FC	FC
TD Express Services SARL	France	100.00	100.00	100.00	100.00	FC	FC
Tigers (China) Co. Ltd	China	71.92	71.92	100.00	100.00	FC	FC
Tigers (USA) Global Logitics Inc.	United States	71.92	71.92	100.00	100.00	FC	FC
Tigers AG	Switzerland	71.92	71.92	100.00	100.00	FC	FC
Tigers Deliver (Aust) Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
Tigers eShop (HK) Limited	China	71.92	71.92	100.00	100.00	FC	FC
Tigers Eshop (Malaysia)	Malaysia	71.92	71.92	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Tigers Express Ltd	China	-	71.92	-	100.00	-	FC
Tigers Global Logistics Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Tigers GmbH	Germany	71.92	71.92	100.00	100.00	FC	FC
Tigers HK Co. Ltd	Hong Kong	71.92	71.92	100.00	100.00	FC	FC
Tigers Indo China Logistic	Burma	50.34	50.34	70.00	70.00	FC	FC
Tigers Intern. Logistics BV	Netherlands	71.92	71.92	100.00	100.00	FC	FC
Tigers Intern. Transport BV	Netherlands	71.92	71.92	100.00	100.00	FC	FC
Tigers International Solutions Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
Tigers Logistics Group Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Tigers Ltd	Hong Kong	71.92	71.92	65.87	65.87	FC	FC
Tigers Malaysia	Malaysia	71.92	71.92	100.00	100.00	FC	FC
Tigers Shared Services	South Africa	71.92	71.92	100.00	100.00	FC	FC
Tigers Trading Company Ltd	China	71.92	71.92	100.00	100.00	FC	FC
Tigers UK Holding Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Tigers Worldwide Logistics Ltd	India	53.76	53.76	74.75	74.75	FC	FC
Tiramizoo GmbH	Germany	17.39	17.39	17.39	17.39	EM	EM
Via Aquitana, S.A	Spain	-	100.00	-	100.00	-	FC
Wako Air Express Co. Ltd	Hong Kong	71.92	71.92	100.00	100.00	FC	FC
WDM(WA) Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
WLG(Australia) Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
WLG Inc.	United States	71.92	71.92	100.00	100.00	FC	FC
WN TPC (IG)	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
WnDirect Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Yurtiçi Kargo Servisi A.S.	Turkey	25.00	25.00	25.00	25.00	EM	EM
LA BANQUE POSTALE SEGMENT							
La Banque Postale	France	100.00	100.00	100.00	100.00	FC	FC
AEW	France	40.00	40.00	40.00	40.00	EM	EM
BPE	France	100.00	100.00	100.00	100.00	FC	FC
CNP Assurances	France	20.15	20.15	36.25	36.25	EM	EM
Easybourse	France	100.00	100.00	100.00	100.00	FC	FC
FCT Elise 2012	France	95.00	95.00	95.00	95.00	FC	FC
La Banque Postale Asset Management	France	70.00	70.00	70.00	70.00	FC	FC
La Banque Postale Assurance Santé	France	51.00	51.00	51.00	51.00	FC	FC
La Banque Postale Assurances IARD	France	65.00	65.00	65.00	65.00	FC	FC
La Banque Postale Collectivités Locales	France	65.00	65.00	65.00	65.00	FC	FC
La Banque Postale Conseil en Assurances	France	100.00	100.00	100.00	100.00	FC	FC
La Banque Postale Crédit aux Entreprises	France	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
La Banque Postale Financement	France	65.00	65.00	65.00	65.00	FC	FC
La Banque Postale Prévoyance	France	100.00	100.00	100.00	100.00	FC	FC
LBP Dutch Mortgage Portfolio 1 B.V.	Netherlands	100.00	100.00	100.00	100.00	FC	FC
LBP Dutch Mortgage Portfolio 2 B.V.	Netherlands	100.00	100.00	100.00	100.00	FC	FC
LBP Home Loan SFH	France	100.00	100.00	100.00	100.00	FC	FC
Ma French Bank	France	-	100.00	-	100.00	-	FC
SCI CRSF DOM	France	99.94	99.94	99.94	99.94	FC	FC
SCI CRSF Métropole	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire Saint Romain	France	100.00	100.00	100.00	100.00	FC	FC
SF2	France	100.00	100.00	100.00	100.00	FC	FC
SOFIAP	France	66.00	66.00	66.00	66.00	FC	FC
Sopassure	France	50.02	50.02	50.02	50.02	PC	PC
Tocqueville Finance	France	92.54	69.75	99.86	99.89	FC	FC
Tocqueville Finance Holding	France	92.67	69.82	92.67	97.70	FC	FC
DIGITAL SERVICES SEGMENT							
Adverline	France	99.51	100.00	99.38	99.88	FC	FC
AMETIX	France	70.00	70.00	100.00	100.00	FC	FC
AMETIX GROUP	France	70.00	70.03	70.00	70.03	FC	FC
Applicam Participations	France	100.00	100.00	100.00	100.00	FC	FC
Bretagne Routage	France	100.00	100.00	100.00	100.00	FC	FC
Cabestan	France	100.00	100.00	100.00	100.00	FC	FC
CER Docapost BPO SAS	France	50.98	50.98	50.98	50.98	FC	FC
Certinomis	France	100.00	100.00	100.00	100.00	FC	FC
CGLIB	France	100.00	100.00	100.00	100.00	FC	FC
CNTP Docapost BPO	France	66.00	66.00	66.00	66.00	FC	FC
Doc@post	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Applicam	France	100.00	100.00	100.00	100.00	FC	FC
Docapost BPO IS	France	65.00	65.00	65.00	65.00	FC	FC
Docapost BPO On Line	France	100.00	-	100.00	-	FC	-
Docapost BPO SAS	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Conseil	France	100.00	100.00	100.00	100.00	FC	FC
Docapost CSP	France	100.00	100.00	100.00	100.00	FC	FC
Docapost DPS	France	100.00	100.00	100.00	100.00	FC	FC
DOCAPOST EXTERNALISATION	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Fast	France	100.00	100.00	100.00	100.00	FC	FC
DOCAPOST IOT	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Localéo	France	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Eukles	France	-	100.00	-	100.00	-	FC
Gescomail	France	65.00	-	100.00	-	FC	-
Going To Digital	France	70.00	70.00	100.00	100.00	FC	FC
Holding B-NUM	France	100.00	100.00	100.00	100.00	FC	FC
Maileva	France	100.00	100.00	100.00	100.00	FC	FC
Maison	France	99.51	100.00	100.00	100.00	FC	FC
Matching SAS	France	81.67	81.67	81.67	81.67	FC	FC
Media Prisme BE	Belgium	81.68	-	100.00	-	FC	-
Media Prisme SAS	France	81.68	82.05	81.68	82.05	FC	FC
Médiapost Holding	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost Publicité	France	100.00	100.00	100.00	100.00	FC	FC
Mix Commerce	France	100.00	100.00	100.00	100.00	FC	FC
Oxeva	France	69.68	70.03	70.03	70.03	FC	FC
PROBAYES	France	100.00	100.00	100.00	100.00	FC	FC
Provéance	France	100.00	-	100.00	-	FC	-
SBP Informatique	France	70.00	70.00	100.00	100.00	FC	FC
Sefas	France	100.00	100.00	100.00	100.00	FC	FC
Sefas Espana	Spain	100.00	100.00	100.00	100.00	FC	FC
Sefas Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
Sefas Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Sérès	France	66.00	66.00	66.00	66.00	FC	FC
Sérès Allemagne	Germany	66.00	66.00	100.00	100.00	FC	FC
Sérès Espagne	Spain	66.00	66.00	100.00	100.00	FC	FC
Société	France	99.51	100.00	100.00	100.00	FC	FC
Sofadev Docapost BPO	Morocco	50.98	50.98	100.00	100.00	FC	FC
SOGEC Datamark Services	France	100.00	100.00	100.00	100.00	FC	FC
T2IS Docapost BPO	Morocco	50.98	50.98	100.00	100.00	FC	FC
Vertical Mail	France	99.51	100.00	100.00	100.00	FC	FC
Voxaly	France	-	100.00	-	100.00	-	FC
Xange Capital	France	34.87	-	34.87	-	EM	-
LA POSTE NETWORK SEGMENT							
LP Télécom	France	51.00	51.00	51.00	51.00	EM	EM
REAL ESTATE SEGMENT							
Poste Immo	France	100.00	100.00	100.00	100.00	FC	FC
Akatea 2 - TPF2 SAS	France	20.02	20.02	20.02	20.02	EM	EM
Akatea TPF2	France	20.02	20.02	20.02	20.02	EM	EM
Arkadea Lyon Girondins	France	-	50.00	-	50.00	-	EM

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Arkadea SAS	France	50.00	50.00	50.00	50.00	EM	EM
Ciposte SAS	France	100.00	100.00	100.00	100.00	FC	FC
Fréjorgues Energy SAS	France	49.00	46.00	49.00	46.00	EM	EM
Holding PI	France	-	46.00	-	46.00	-	EM
ImmoStoc SAS	France	100.00	100.00	100.00	100.00	FC	FC
LocaPoste SAS	France	100.00	100.00	100.00	100.00	FC	FC
Lumin' Toulouse SAS	France	44.00	44.00	44.00	44.00	EM	EM
Lumin' Logistique urbaine	France	44.00	44.00	44.00	44.00	EM	EM
PI Energy	France	46.00	46.00	46.00	46.00	EM	EM
PI Energy 2	France	46.00	46.00	46.00	46.00	EM	EM
Poste Immo Tertiaire	France	-	100.00	-	100.00	-	FC
SAS PI Développement	France	100.00	100.00	100.00	100.00	FC	FC
SAS PI Energies Renouvelables	France	100.00	100.00	100.00	100.00	FC	FC
SAS PI Invest	France	100.00	100.00	100.00	100.00	FC	FC
SAS STARWAY	France	28.00	28.00	28.00	28.00	EM	EM
SAS STARWAY PARTNERS	France	79.97	79.97	79.97	79.97	FC	FC
SC PYXIS	France	100.00	100.00	100.00	100.00	FC	FC
SCCV 56, rue Cler	France	49.00	49.00	49.00	49.00	EM	EM
SCCV PARIS CAMPAGNE PREMIÈRE	France	49.00	49.00	49.00	49.00	EM	EM
SCCV PI MARSEILLE COLBERT	France	100.00	100.00	100.00	100.00	FC	FC
SCI 44 Vaugirard	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Annexes	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Colis	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier de Proximité	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier Industriel	France	100.00	100.00	100.00	100.00	FC	FC
SCI Arkadea Fort de France	France	49.00	49.00	49.00	49.00	EM	EM
SCI Arkadea Lyon Crepet	France	35.00	35.00	35.00	35.00	EM	EM
SCI Arkadea Lyon Croix Rousse	France	30.00	30.00	30.00	30.00	EM	EM
SCI Arkadea Marseille Saint Victor	France	49.00	49.00	49.00	49.00	EM	EM
SCI Arkadea Rennes Trigone	France	49.00	49.00	49.00	49.00	EM	EM
SCI Bataille	France	35.00	35.00	35.00	35.00	EM	EM
SCI BP	France	100.00	100.00	100.00	100.00	FC	FC
SCI BP Mixte	France	100.00	100.00	100.00	100.00	FC	FC
SCI Centres de Loisirs	France	100.00	100.00	100.00	100.00	FC	FC
SCI DOM	France	100.00	100.00	100.00	100.00	FC	FC
SCI GREEN OPALE	France	100.00	100.00	100.00	100.00	FC	FC
SCI Logement	France	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
SCI PI Bordeaux Tourville	France	100.00	100.00	100.00	100.00	FC	FC
SCI PI 17	France	-	100.00	-	100.00	-	FC
SCI Route du Moulin Bateau Bonneuil (Ex SCI Activités Courrier Local)	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire Mixte	France	100.00	100.00	100.00	100.00	FC	FC
SOBRE	France	47.50	47.50	47.50	47.50	EM	EM
SOBRE GLP	France	-	74.28	-	51.00	-	FC
Société SCCV Rue du Champ Macret-Roye	France	100.00	100.00	100.00	100.00	FC	FC
TOULOUSE OCCITANIE	France	44.00	44.00	44.00	44.00	EM	EM
TPF2 Sppicav	France	20.02	20.02	20.02	20.02	EM	EM
UNALLOCATED							
Sofrepost	France	99.99	99.99	99.99	99.99	FC	FC
Véhiposte SAS	France	100.00	100.00	100.00	100.00	FC	FC
GIE Véhiposte	France	100.00	100.00	100.00	100.00	FC	FC

FC: full consolidation; EM: equity method; PC: proportionate consolidation.

NOTE 43 OTHER UNCONSOLIDATED EQUITY INVESTMENTS – EXCLUDING FRANCE

(in € thousand)	Country	31/12/2018				31/12/2017
		Percentage held	Gross amount	Impairment	Net amount	Net amount
SEUR Toledo ^(b)	Spain	100%	9,198	-	9,198	-
Packlink Shipping, S.L.	Spain	10%	8,000	-	8,000	-
San Sebastian ^(b)	Spain	100%	6,021	-	6,021	-
SEUR Granada ^(b)	Spain	100%	3,196	-	3,196	-
Cuenca Pack, S.A.(b)	Spain	100%	2,682	-	2,682	-
Logality Servicios	Spain	11%	1,768	-	1,768	1,568
Ponferrada	Spain	100%	1,287	-	1,287	-
Livelihoods ^(b)	Luxembourg	3%	1,000	-	1,000	1,000
Localz Pty Ltd.	Australia	5%	926	-	926	926
City Box Services, S.L.	Spain	3%	750	-	750	750
Seres Colombie	Colombia	100%	932	(290)	642	454
Seres Mexique	Mexico	100%	586	(33)	553	553
Mediapost Vietnam	Vietnam	36%	361	(50)	311	311
Seres Argentine	Argentina	90%	683	(379)	304	182
Guardrisk Insurance	South Africa	100%	173	-	173	306
Seres Equateur	Ecuador	100%	287	(71)	216	216
Metrica	Bulgaria	60%	102	-	102	98
DPD Deutscher Paket Dienst Management	Germany	4%	77	-	77	77
CargoNetwork Gm	Germany	100%	40	-	40	40
LBP AM Dept Funds	Luxembourg	100%	31	-	31	31
DPD Service GmbH	Germany	100%	30	-	30	-
CIDES	Spain	10%	25	-	25	25
Kombiverkehr Deutsche Gesellschaft	Germany	ns	16	-	16	16
Applicam Tunisie	Tunisia	95%	10	-	10	10
Iglu Air Cargo	Germany	4%	11	-	11	10
Bancaja	Spain	ns	9	-	9	9
Other	Portugal	ns	8	-	8	19
IDP	Spain	10%	6	-	6	6
Other	Spain	ns	4	-	4	4
Other	Germany	ns	1	-	1	1
Interattica ^(a)	Greece	100%	20,657	(20,657)	-	-
Guangzhou DPD Co ^(a)	China	100%	7,950	(7,950)	-	-
MPIE Limited	United Kingdom	100%	838	(838)	-	-

(a) Companies in the process of being liquidated.

(b) Companies acquired in the end of 2018, to be consolidated in 2019.

(c) Companies consolidated in 2018.

(in € thousand)	Country	31/12/2018				31/12/2017
		Percentage held	Gross amount	Impairment	Net amount	Net amount
Promarsa Portugal	Portugal	ns	12	(12)	-	-
Ninja Logistics Pte. Ltd. (ex-Ninja Van) ^(c)	Singapore	-	-	-	-	63,864
Paquetes Logrono, S.L. ^(c)	Spain	-	-	-	-	3,075
Via Aquitana, S.A. ^(c)	Spain	-	-	-	-	2,958
Innovagency ^(c)	Portugal	-	-	-	-	2,412
Meditexpress, S.L. ^(c)	Spain	-	-	-	-	480
ALAI	Spain	-	-	-	-	27
BBVA	Spain	-	-	-	-	22
TOTAL		-	67,677	(30,280)	37,397	79,450

(a) Companies in the process of being liquidated.

(b) Companies acquired in the end of 2018, to be consolidated in 2019.

(c) Companies consolidated in 2018.

20.1.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31 DECEMBER 2018)

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,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying consolidated financial statements of La Poste for the year ended 31 December 2018.

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 2018 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 Audit 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 independence rules applicable to us, for the period from 1 January 2018 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 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors

Emphasis of Matter

Without qualifying our opinion, we draw your attention to the matter set out in Note 3 (Impact of the first-time application of IFRS 9) to the consolidated financial statements, which describes the impact of the adoption of IFRS 9 – Financial Instruments.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were the most significant for 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.

Measurement of goodwill in the GeoPost operating segment

Description of risk

As part of its business development, the Group carries out external growth transactions and recognises goodwill. This goodwill, which corresponds to the difference between the acquisition price and the fair value of the assets acquired and liabilities assumed, is detailed in Note 15 (Goodwill) to the consolidated financial statements. It is allocated to the cash-generating units (CGUs) of the businesses into which the acquired companies are integrated.

At 31 December 2018, goodwill amounted to €2,478 million on the balance sheet, of which €1,738 million corresponded to GeoPost's activities.

The Group verifies at least once a year, and whenever there is an indication of impairment, that the net book value of goodwill is not greater than its recoverable amount and does not present a risk of impairment. The impairment tests are conducted for each CGU based on the methodology outlined in the notes to the consolidated financial statements, particularly Note 2.12 (Impairment of goodwill, intangible assets and tangible assets) and Note 15.3 (Impairment).

Any decline in the profitability of businesses to which goodwill has been allocated, due for example to the economic and financial environment in which those businesses operate, can have a significant impact on the recoverable amount of goodwill and lead to the recognition of an impairment loss.

GeoPost operates on markets in France and abroad that are subject to changing environments, as a result of which management is required to assess the appropriateness of all assumptions used to determine the recoverable amount of the CGUs to which goodwill has been allocated, and the reasonableness and consistency of the calculation inputs used.

We deemed the measurement of GeoPost's goodwill to be a key audit matter because of its significant amount in the consolidated financial statements, and the calculation method used to determine the recoverable amount, which relies on judgements made by management, particularly in terms of projecting future cash flows and determining the discount rates to be used.

How our audit addressed this risk

We assessed the consistency of the methodology applied by the Group for measuring recoverable amounts with current accounting standards and examined how this methodology is implemented.

With regard to the GeoPost CGUs that we tested, our work consisted in:

- analysing the components of the net book value of the CGUs, and the consistency of how the net book value was established with the methods used to determine projected future cash flows with a view to estimating the recoverable amount;
- assessing the appropriateness of the assumptions used by the Group, in particular the reasonableness of the cash flow projections in relation to our knowledge of the economic context of each geographic area in which the CGUs operate, as well as the reliability of the procedure for making estimates, by analysing any significant differences that arose between projected and actual cash flows in the year covered by the audit;
- comparing projected future cash flows with management's most recent estimates used as part of the Group budget process;
- with the guidance of our internal specialists, analysing the inputs used to calculate the discount rates and the consistency of the growth rates applied to the cash flow estimates;
- verifying the analysis conducted by the Group of the sensitivity of the recoverable amount to changes in the main assumptions used.

Lastly, we assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements, in particular Note 2.12 (Impairment of goodwill, intangible assets and tangible assets), and Note 15.3 (Impairment).

Measurement of end-of-career arrangements

Description of risk

The La Poste group has several post-employment benefit plans, including end-of-career arrangements.

These plans only exist at La Poste SA, the parent company. Provisions for the cost of these commitments represented €1,848 million at 31 December 2018.

The measurement of these commitments and the related expenses for the year are described in Note 2.20.2 (End of career arrangements) and Note 29 (Employee benefits) to the consolidated financial statements and are based on different assumptions, in particular the costs relating to each plan and the likelihood of future enrolments, assessed on the basis of enrolment rates in previous years and management's best estimates.

Changes in some of these assumptions could have a significant impact on the valuation of the liabilities recognised and on consolidated earnings.

Due to the materiality of the amounts concerned and the degree of judgement required by management, we deemed the measurement of end-of-career arrangements to be a key audit matter.

How our audit addressed this risk

We assessed the underlying data used by the Group to determine the amount of the provision recorded. Our work consisted in:

- gaining an understanding of the process used to measure commitments relating to end-of-career arrangements;
- gaining an understanding of the internal control procedures put in place concerning the measurement of these commitments;
- testing the effectiveness of the controls put in place by the Group to determine the costs to be used in the measurement of end-of-career arrangements (identification of beneficiaries, authorisation, determination of the cost of each plan, etc.), which we considered key to our audit.

We also assessed the assumptions used by the Group to assess the amount of the provision and the methodology applied, including:

- the relevance of the methodology applied by the Group with respect to applicable accounting standards;
- the consistency of the assumptions used to determine the amount of the provision, with the assistance of our internal specialists;
- the consistency of the data used in the calculations, by comparing it to historical data observed for previous plans and the Group's estimates for current plans;
- the sensitivity analyses carried out by the Group;
- the appropriateness of the disclosures provided in Note 2.20.2 (End-of-career arrangements) and Note 29 (Employee benefits) to the consolidated financial statements.

Mail segment revenue

Description of risk

The Group's revenue for 2018 amounted to €19,154 million, of which €8,661 million for the Mail segment operated by La Poste SA. As described in Note 2.8.1 (Revenues from commercial activities) to the consolidated financial statements, revenue is recognised as and when the related service is provided, except for revenue from postage stamps and pre-paid envelopes, which is recognised at the time of sale (save in exceptional situations). To ensure that transactions are correctly recorded in the appropriate reporting period, the Group estimates the revenue to be recognised at each year-end, on the basis of assumptions such as mail delivery times and the sensitivity of sales of postage stamps and pre-paid envelopes to price changes.

Given the significant amount of the estimates involved and the materiality of the judgements and assumptions made by the Group, we deemed the recognition of Mail segment revenue, in particular the allocation of transactions to the appropriate reporting period, to be a key audit matter.

How our audit addressed this risk

Our work regarding Mail segment revenue and the allocation of transactions to the appropriate reporting period are as follows:

- gaining an understanding of internal control procedures relating to the computation of revenue in the billing system and the transfer of such data from the billing IT system to the accounting IT system;
- testing the effectiveness of certain controls that we considered key for our audit relating to the computation of revenue in the billing system and the transfer of such data to the accounting system.

We also conducted tests of details on certain significant items related to the correct allocation of revenue at the year-end.

Regarding mail delivery times, we assessed the consistency of the assumptions used to determine the revenue to be recognised at the year-end, including:

- the consistency of the volume data taken into account compared with the previous year;
- on a sample basis, the consistency of the volume data and delivery dates taken into account with information extracted from the billing IT systems;
- on a sample basis, the consistency of prices applied by type of product.

Regarding sales of postage stamps and pre-paid envelopes, we assessed the consistency of the assumptions used to determine revenue to be recognised at the year-end, in particular:

- the consistency of the sales data taken into account in comparison with that of previous comparable periods, adjusted for equivalent working days, expected changes in volumes and price changes for the different types of products;
- the consistency of the sales recorded at the year-end with monthly sales data.

Provisions for credit risks in relation to customer loans

Description of risk

IFRS 9 – Financial Instruments, which defines a new methodology for estimating expected credit losses on performing, underperforming and non-performing loans, applies to the Group's consolidated financial statements since 1 January 2018.

We deemed the first-time application of IFRS 9 from 1 January 2018 and its application at 31 December 2018 to be a key audit matter for the following reasons:

- the significant amount of customer loans in La Poste's financial statements;
- the many inputs and assumptions used in the calculation models of probability of default and loss given default;
- the significant amount of judgement required as regards the models applicable to each customer segment, the forward-looking macro- and micro-economic inputs used, as well as the transfer criteria from one bucket to another;
- the significant operational changes required due to the application of the new standard (new control framework, system adaptation, new IT systems, etc.).

The impacts of the first-time application of IFRS 9 are set out in Note 3 (Impact of the first-time application of IFRS 9) to the consolidated financial statements. The impact on the Group's equity at 1 January 2018 was a negative €146 million (net of deferred tax) including a negative €154 million in respect of the impairment of the expected loss and a positive €8 million in respect of changes in the classification of financial assets categories.

How our audit addressed this risk

Based on the documents provided, we assessed the involvement of the different stakeholders of La Banque Postale in the IFRS 9 project (Executive Board, Group Risk Management, Accounting Standards department, Accounts department, IT department, etc.).

We verified that La Banque Postale's choices regarding methodology, as disclosed in the notes to the consolidated financial statements, complied with IFRS 9.

With the assistance of our internal specialists, we examined the consistency of the probability of default and loss given default models built by La Banque Postale's Models department with the pre-approved methodological notes. This comprised the following main steps:

- verifying that the models had been approved by a separate unit than that which built them;
- examining the methodology for identifying significant increases in credit risk;
- using sampling techniques to verify the inputs used in the models;
- on a sample basis, calculating expected credit losses and comparing the result with that obtained using the impairment calculation tool.

With the assistance of our internal specialists, we identified the changes made to the process, including in IT terms, tested the controls put in place to guarantee the quality of the data and the recycling of accounting treatment anomalies. We assessed the methods used to determine forwardlooking assumptions and to monitor the resulting metrics.

For the main categories of loans, we examined the relevance of the analyses conducted by La Banque Postale's Accounts department with respect to differences affecting each bucket and the corresponding impairment from 1 January 2018 (the transition date) to 30 June 2018 and 31 December 2018.

We assessed the accuracy and completeness of the disclosures provided in the notes to the consolidated financial statements with regard to the requirements of IFRS 9, as well as the relevance of those disclosures, both as regards (i) the presentation of the impact of the first-time application of the standard at 1 January 2018 in Note 3 to the consolidated financial statements, and (ii) the loans and the impairment of performing loans at 31 December 2018 in Note 20.1 (Customer loans and receivables) and Note 33.2 (Credit risk).

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 Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the management report includes the consolidated non-financial information statement required under article L. 225-102-1 of the French Commercial Code. However, in accordance with article L. 823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed as Statutory Auditors of La Poste by the Combined Extraordinary and Ordinary General Meeting held on 11 June 2015 for PricewaterhouseCoopers Audit and by the inter-ministerial decree of 29 June 2009 for KPMG Audit.

At 31 December 2018, PricewaterhouseCoopers Audit and KPMG Audit were in the fourth and the tenth 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 Audit 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 Board of Directors.

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 Audit Committee

We submit a report to the Audit 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 Audit 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 Audit 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 Audit Committee.

Neuilly-sur-Seine and Paris La Défense, 8 March 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Eric Bertier
Partner

Jacques Lévi
Partner

KPMG Audit

Department of KPMG S.A

Eric Amato
Partner

Marie-Christine Jolys
Partner

20.2 Parent company financial statements

The amounts shown in the tables are generally provided in millions of euros. Rounding may on occasion result in slight differences in totals or changes.

20.2.1 ANNUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2018 (BOARD OF DIRECTORS' MEETING OF 21 FEBRUARY 2019)

Income statement

(in € million)	Note	31/12/2018	31/12/2017
Services-Mail-Parcels revenue		10,505	10,711
Digital Services revenue		11	9
La Poste Network revenue		926	1,006
Real Estate revenue		19	20
Revenue	Note 1	11,462	11,746
Other operating income		2,392	2,418
Operating revenue		13,853	14,164
Purchases		(426)	(412)
Other external expenses	Note 2	(4,488)	(4,258)
Miscellaneous taxes and dues	Note 3	(726)	(746)
Personnel expenses	Note 4	(8,704)	(8,731)
Depreciation, amortisation and provisions	Note 5	(172)	(67)
Operating expenses		(14,515)	(14,216)
Operating profit/(loss)		(662)	(52)
Financial profit/(loss)	Note 6	490	463
Underlying net profit/(loss)		(172)	411
Non-recurring items	Note 7	16	9
Profit before tax		(155)	421
Income tax	Note 8	225	238
NET PROFIT/(LOSS)		70	659

Balance sheet

Assets

(in € million)	Note	31/12/2018			31/12/2017
		Net amount	Depreciation, amortisation and provisions	Net carrying amount	Net carrying amount
Intangible assets	Note 9	1,395	(1,039)	356	327
Land and buildings		313	(167)	146	147
Other property, plant and equipment		3,597	(2,886)	711	722
Tangible assets	Note 10	3,910	(3,053)	857	869
Non-current financial assets	Note 11	11,976	(41)	11,934	11,729
Non-current assets		17,281	(4,133)	13,148	12,925
Inventories and work-in-progress	Note 12	96	(1)	95	89
Trade receivables and related accounts		1,715	(24)	1,691	1,583
Other receivables		747	-	747	700
Operating receivables	Note 13	2,462	(24)	2,439	2,282
Other debtors	Note 15	298	(19)	279	264
Accrual accounts	Note 16	96	-	96	100
Marketable securities and cash	Note 17	2,491	-	2,491	2,162
Current assets		5,443	(44)	5,398	4,897
GRAND TOTAL		22,724	(4,177)	18,547	17,822

Balance sheet

Liabilities

(in € million)	Note	31/12/2018	31/12/2017
Share capital		3,800	3,800
Share premium account		900	900
Reserves		568	535
Retained earnings		986	531
Net profit/(loss) for the year		70	659
Equity	Note 19	6,323	6,425
Other equity	Note 19	750	-
Regulated provisions	Note 20	46	60
Contingency and loss provisions	Note 20	1,755	1,882
Borrowings		5,593	5,596
Miscellaneous loans and borrowings		316	349
Bank accounts and bills of exchange payable		87	151
Financial liabilities	Note 21	5,996	6,096
Trade payables and related accounts		1,274	1,208
Tax and employee-related payables		1,364	1,211
Other operating payables		591	483
Operating payables	Note 13	3,229	2,902
Miscellaneous creditors	Note 15	264	221
Accrual accounts	Note 16	184	236
Debt		9,673	9,455
GRAND TOTAL		18,547	17,822

Cash flow statement

(in € million)	Note	31/12/2018	31/12/2017
Net profit		70	659
Elimination of non-cash and non-operating items			
• Gains/(losses) on disposals		(2)	12
• Net changes in provisions	Note 26	(142)	(258)
• Changes in CICE provisions	Note 26	40	4
• Depreciation, amortisation and impairment	Note 26	305	325
• Other non-cash income and expenses		-	(8)
Cash flow before cost of debt and tax		271	735
• Financial income and expenses		(10)	39
• Taxes		(225)	(238)
Cash flow after cost of debt and tax		36	536
• Change in working capital requirement	Note 27	(20)	132
• CICE tax credit received in the year		(292)	(356)
• Taxes paid		294	230
• CICE monetisation		297	533
Cash flows from operating activities		316	1,074
• Purchase of intangible assets and property, plant and equipment	Note 28	(333)	(353)
• Purchase of financial assets		(661)	(990)
• Inflows from the sale of intangible assets and property, plant and equipment	Note 29	10	6
• Inflows from sale of financial assets	Note 29	444	840
• Subsidiary disposals, net of subsidiary cash		-	(144)
Cash flows used in investing activities		(540)	(641)
• Dividends paid		(171)	(171)
• Issue of perpetual hybrid subordinated notes		744	-
• Interest		21	(40)
• Bond issues	Note 30	880	351
• Bond redemptions	Note 31	(883)	(802)
• Other cash flows from financing activities		(36)	(136)
Cash flows from financing activities		555	(798)
CHANGE IN CASH AND CASH EQUIVALENTS		331	(365)
• Cash and cash equivalents at the beginning of the period		2,093	2,458
• Cash and cash equivalents at the balance-sheet date	Note 32	2,424	2,093

About La Poste

Legal status of La Poste

La Poste is a public limited company governed by legal and regulatory provisions applicable to public limited companies, including the French Commercial Code insofar as it is not waived by special provisions, such as law No. 83-675 of 26 July 1983 relating to the democratisation of the public sector and law No. 90-568 of 2 July 1990 relating to the organisation of the mail and telecommunications public service.

La Poste operates under a public service mission and general interest role and conducts other activities in accordance with the aforementioned law of 2 July 1990 and the rules and regulations governing each of its lines of business.

The public service mission and general interest role include:

- universal postal service;
- contribution to regional planning and development through its network of retail outlets;
- press transport and delivery;
- banking accessibility under the terms set out in Articles L. 221-2 and L. 518-25-1 of the French Monetary and Financial Code.

Following normal rules, La Poste collects, sorts, transports and delivers all kinds of mail, parcels and goods.

Highlights

I. Arcep agreement on 2018 price increases

New national and international mail and parcel prices were introduced on 1 January 2018 following the opinions issued by Arcep on 17 October 2017 (No. 2017-1227) and 12 December 2017 (No. 2017-1486). All of these changes comply with the price caps established in Arcep Decision No. 2017-1101 of 19 September 2017, amending for 2018 Decision No. 2014-0841 of 22 July 2014 relating to multi-annual price caps for the 2015-2018 period.

II. Bonds

On 27 February 2018, La Poste repaid upon maturity the outstanding bond issue of €500 million issued on 27 February 2008 at a rate of 4.5%.

Furthermore, on 30 November 2018 La Poste issued its first green bond for an amount of €500 million with a ten-year duration at a rate of 1.45%.

III. Issue of perpetual debt securities

On 3 May 2018, La Poste issued perpetual hybrid debt securities for €750 million. The issue premiums and costs are spread until the first possible exit date, i.e. 29 January 2026.

With regard to the perpetual debt securities responding to the definition of Opinion No. 28 of OEC in October 1994, La Poste decided to classify them for their nominal amount, in accordance with the planned option, in "Other equity" (see Note 19).

IV. Assignment of CICE receivables

La Poste, as the parent company of the tax group, assigned on 3 October 2018 its CICE tax credit receivable 2017 of €298 million to a credit institution within the Group, which became its owner. The assigned receivables can no longer be credited against taxes.

V. Employee incentive-based pay

A new incentive agreement for the 2018, 2019 and 2020 fiscal years was signed on 29 June 2018.

VI. One-off bonus purchasing power

In line with the statements made by the President of the French Republic and within the framework of law No. 2018-1213 of 24 December 2018 concerning emergency economic and social measures, Le Groupe La Poste decided to grant a one-off bonus to its workforce.

This one-off bonus of €300 for La Poste employees with gross annual compensation of up to 1.5 times the minimum wage and €200 for La Poste employees with gross annual compensation between 1.5 and 3 times the minimum wage. The payment will be made at the beginning of 2019 and an accrued expense of €44 million was recognised in the La Poste financial statements for this purpose.

POST-CLOSING EVENTS

No event likely to have a material impact on La Poste's financial statements took place subsequent to the balance-sheet date.

ACCOUNTING RULES AND POLICIES

I. ACCOUNTING GUIDELINES

The annual financial statements are prepared in accordance with the provisions of Regulation 2014-03 of the French Accounting Standards Authority (Autorité des Normes Comptables – ANC) approved by the ministerial decree of 8 September 2014 concerning the French General Chart of Accounts, and with all the subsequent ANC regulations amending it.

II. ACCOUNTING PRINCIPLES

A. Use of estimates

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

- items related to force majeure (fire, storms, etc.).

B. Revenue

Revenue arising from the sale of goods or services is recognised when the risks and rewards of ownership are transferred to the customer. Revenue is recognised in proportion to deliveries of the related goods or services ("of-completion" accounting method). Revenue for postage stamps and pre-paid envelopes is recognised when sold, other than in exceptional situations.

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

C. Distinction between pre-tax profit and non-recurring items

Only **unusual** and **one-off income and expenses** are classified as non-recurring items. La Poste has decided to classify the following as non-recurring items:

- disposal of non-current assets;
- provisions for permanent impairment of non-current assets;

D. Income Tax

La Poste has elected to apply the tax consolidation rules as the Group's parent company. Tax consolidation methods are detailed in Note 8.

VAT taxation rules

The provisions of Article 261.4.11° of the French General Tax Code provide for a VAT exemption for services rendered by the universal postal service provider in France falling within the scope of the universal postal service as defined by Article L.1 of the French Postal and Electronic Communications Code, as specified in Article L.2 of the same Code.

As the French service provider responsible for the universal postal service, La Poste exempts from VAT all postal products it sells falling within the scope of the universal postal service. The postal products sold by La Poste and not falling within the scope of the universal postal service are subject to VAT in line with ordinary legal provisions (application of the normal VAT rate subject to the application of the regional VAT rules on services).

Regional economic contribution

Article 344 *quindecies* of Appendix III to the French General Tax Code as amended by Decree No. 2018-1261 of 26 December 2018 establishes the direct tax base allowance rates enjoyed by La Poste for its regional development mission. For 2018, this allowance was set at 85% of the tax base for the business property tax (*cotisation foncière des entreprises*) and for property taxes, and at 95% for the added value used in application of Article 1586 *ter* for the tax on corporate value added.

E. Intangible assets

ANC Regulation 2014-03 defines an intangible asset as an identifiable non-monetary asset without physical substance, *i.e.* an asset arising from legal or contractual rights, or from separable rights.

Intangible assets primarily consist of software and leasehold rights.

Software is amortised over a period of one to five years.

The rules for impairment of intangible assets are set out in Section G below.

1. Research and development costs

Development costs are expensed except for expenditure relating to internal software development to the extent that:

- it is highly likely that the project will be technically feasible;
- management has sufficient human and material resources to produce the software;
- there is a clear intention to produce the software and use it on a long-term basis for La Poste's own requirements or those of its customers.

These expenses are capitalised as intangible assets and amortised over a period ranging from three to five years from commissioning.

The amount of research and development costs recognised as expenses for the year is provided in Note 9.

F. Tangible assets

1. Breakdown of the original value of non-current assets by component

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

La Poste has identified the following components:

Real estate assets (six components):

- structural frame;
- roof;
- joinery and external works;
- large equipment items;

- small equipment items, fixtures and fittings;
- land.

Machinery and equipment:

- sorting machines: three components (mechanical parts, intelligence and peripherals). A fourth component (feeders and measuring instruments) has been identified for parcel sorting machines (TPGD – *Tri Paquet Grand Débit* – High-Speed Package Sorting).
- sorting-area equipment: two components (mechanical parts, intelligence).

2. Amortisation period

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

As part of the implementation of the accounting regulations for assets, the useful lives of non-current assets were reviewed in 2005, which primarily resulted in a lengthening of the average depreciation periods. The changes mainly involved:

- real estate assets, especially the main structural frame components;
- the main mechanical component of sorting machines.

The useful lives applied are as follows:

Buildings: the useful life depends on the technical and/or architectural category to which the building belongs (La Poste has defined seven categories):

- structural frame: 20 to 80 years;
- roof: 20 to 60 years;
- joinery and external work: 20 to 40 years;
- large equipment items: 15 to 20 years;
- small equipment items, fixtures and fittings: 5 to 10 years.

Machinery and equipment:

- sorting machines: 5 to 15 years;
- sorting-area equipment: 5 to 8 years;
- office and computer equipment: 3 to 5 years;
- office furniture: 10 years.

Given that Tax Instruction BOI 4 A-13-05 retained the option for an entity to depreciate non-current asset components over their useful life, La Poste has recognised an accelerated depreciation charge on the following non-current assets:

- the main "structural frame" component for buildings, in order to set the useful life of this component at 40 years for depreciation purposes;

- the main “mechanical” component for sorting machines, in order to set the useful life of this component at six years and eight months for depreciation purposes.

3. Acquisition cost of non-current assets

Only expenses giving rise to a controlled resource as a result of past events from which La Poste expects to generate future economic benefits are capitalised.

In accordance with the option provided under ANC Regulation 2014-03, acquisition costs that are directly attributable to the acquisition of a non-current asset or to bringing it into working order are not included in the cost of the non-current asset.

Borrowing costs are not included in the acquisition cost of non-current assets.

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

G. Impairment of intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are tested for impairment whenever there is evidence of impairment.

Impairment tests consist in comparing the net book value of each asset to its present value, which is the higher of the realisable value and the value-in-use. Where the present value of an asset or group of assets falls below its net book value and the asset continues to be used, then its net book value is reduced to this present value via an impairment charge.

Realisable value represents the amount that could be obtained by selling an asset at the balance-sheet date in an arm's length transaction, net of sale costs.

The **value-in-use** of an asset, or group of assets, is the value of future economic benefits expected from their use and/or sale.

Impairment charges are recognised for assets held for sale where the market value falls below the net book value and a decision has been taken to sell the asset.

H. Equity investments

Shares in La Poste's subsidiaries are recognised at cost less any potential provisions for impairment.

Such impairment reflects the difference between the acquisition cost of the equity investments and their book value at the balance-sheet date, which is usually determined by using discounted future

cash flows or the potentially consolidated share in the shareholders' equity of the relevant unit. Where a disposal decision has been taken, the book value is determined with reference to the realisable value, as defined in Section G above.

Dividends received are recognised in financial revenue in the year in which the decision to pay out dividends was made.

I. Other non-current financial assets

These mainly include loans granted by La Poste to its subsidiaries, and subordinated perpetual bonds issued by La Banque Postale and fully subscribed by La Poste.

Other non-current financial assets also include loans made in connection with social housing schemes, which are recognised at nominal value. Provisions are made on the basis of the maturities and repayment terms of these loans and also to take account of the estimated risk of default.

J. Inventories and work-in-progress

La Poste applies the Weighted Average Unit Cost method to measure the initial cost of inventory, except for finished products, which are valued at production cost.

At the balance-sheet date and in accordance with ANC Regulation 2014-03 regarding assets, inventories are valued at the lower of initial cost and present value. The current value is the higher of the realisable value (market value) and the value-in-use, which usually corresponds to the discounted expected net cash flows.

Where the current value is the lower of the two, an impairment charge must be recognised in order to bring the initial cost in line with the current value.

K. Operating receivables

1. Trade receivables

At initial recognition, trade receivables on commercial activities are recorded at face value.

Impairment rules for trade receivables

- Receivables due from customers who are subject to a court-ordered settlement or compulsory liquidation are written off in full, regardless of age.

- For other accounts receivable, impairment is based on age and the risk of default:
 - over one year: 100% of the value of the receivable is written off,
 - three months to one year: the discounted provisioning rate is calculated on the basis of an average "loss rate". The loss rate represents the difference between receivables at 1 January in a given year and the amounts received during that year.

2. Other receivables

At initial recognition, other receivables are recorded at face value. They are written down, as needed, based on age or the risk of default.

L. Miscellaneous debtors and creditors and accrual accounts

Miscellaneous debtors and creditors and accrual accounts primarily concern accounts in the process of being settled at the balance-sheet date, including Le Groupe La Poste's intercompany transactions.

M. Marketable securities and cash

Marketable securities are measured at the lower of acquisition cost and market value.

N. Foreign currency transactions

Payables, receivables, cash and cash equivalents denominated in foreign currencies are translated into euros at the closing exchange rate. If the closing exchange rate changes the historical value of payables and receivables, the resulting differences are then recorded in the balance sheet under unrealised foreign exchange gains or losses.

At La Poste, unrealised foreign exchange gains or losses are mainly related to financial transactions (bonds and related hedging transactions).

0. Contingency and loss provisions

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

The provisions are measured on the basis of La Poste's expectations as to the expenditure required to settle the liability, based on management data from the information system and the assumptions selected by La Poste, eventually supplemented by experience with similar transactions and, in some cases, by reports from independent experts or by supplier quotes. These various assumptions are reviewed at each balance-sheet date.

P. Pension plan and end-of-career benefits

1. Pension plan

Civil servants

The 2006 Supplementary Budget law reformed pension funding for La Poste's civil servants, retroactive to 1 January 2006, as described in Note 24 to the financial statements.

Under the plan introduced in 2006, La Poste pays an employer contribution, which discharges it of its liabilities. As a result, no provision for the retirement of civil servants is recorded in the financial statements.

Contract employees

The pension plan for La Poste's contract staff is the standard plan under common law. The plan is a "defined contribution scheme," which is funded by contributions to organisations that release the employer from any subsequent liability, while the organisation undertakes to pay employees the amounts accruing to them. Consequently, once the contributions are paid, no liabilities or obligations are recognised in La Poste's financial statements. Contributions paid to independent bodies are expensed in the relevant period.

2. Retirement benefits (contract staff)

These liabilities are covered by a provision in the balance sheet.

The main assumptions used and the assessment of the liability are set out in Note 24 to the financial statements.

3. End-of-career arrangements

La Poste records a provision for the costs of the end-of-career benefits granted to its employees. The persons included for purposes of measuring the provision are all those who were enrolled in the plan at the balance-sheet date.

The existing end-of-career arrangements are described in Note 24 to the financial statements.

Q. Debt evidenced by a certificate (bonds and La Poste savings bonds, excluding perpetual hybrid debt securities)

Debt securities are recognised at face value under Debt in balance sheet liabilities. They are broken down in the notes to the financial statements by type: bonds and La Poste savings bonds.

Interest accrued not due on these securities is posted to a related payables account through profit and loss.

Bond issue and redemption premiums are amortised on a straight-line basis over the life of the bonds, with issue costs being deferred on a straight-line basis over the same period.

Such issue and redemption premiums are recognised as balance sheet assets under "Miscellaneous debtors" (see Note 15).

R. Derivatives

Derivatives transactions are disclosed under off-balance sheet commitments in Note 23.

The hedging performed by La Poste complies with hedge accounting, which is based on the principle of the symmetrical treatment of the financial instrument and the underlying hedged item in terms of their recognition in the income statement.

Beginning in 2017, in application of ANC Regulation 2015-05 of 2 July 2015, instruments used in transactions classified as "an isolated open position" for accounting purposes are measured at market value at the balance-sheet date. Changes in value are recognised

in the balance sheet and unrealised losses are recognised *via* a provision for contingencies and losses in financial profit (loss).

S. Capital

Following the introduction of Decree 2010-191 of 27 February 2010, La Poste became a public limited company on 1 March 2010, with a share capital set at €1 billion, divided into 500 million fully paid-up shares with a par value of €2 each. This share capital is, by law, wholly owned by the French State or government-owned entities, except for any portion reserved for La Poste employees.

Prior to that date, La Poste was an independent State-owned company, without share capital as legally defined, but with equity of €2,467 million, split between:

- an initial capital contribution of €2,258 million (including €1,039 million from the transfer of CNE's business activities in 2005);
- an additional capital contribution of €209 million.

By virtue of La Poste's change in status in 2010, €1,467 million was allocated to various reserves, in addition to the creation of €1 billion in share capital. Lastly, following La Poste's first General Shareholders' Meeting on 12 May 2010, €1.5 million was allocated as a legal reserve.

La Poste SA's capital increase adopted by the Board of Directors on 10 February 2011 and approved by the General Shareholders' Meeting on 6 April 2011 led to:

- a €1 billion capital increase *via* capitalisation of reserves;
- a first payment of €1.05 billion for the capital issued in April 2011, including €467 million from the French State and €583 million from Caisse des Dépôts;
- and a second payment of €1.05 billion in 2012, including €467 million from the French State and €583 million from Caisse des Dépôts.

In 2013, La Poste received the last payment from the French State (€267 million) and Caisse des Dépôts (€333 million) in other terms a total of €600 million, thereby increasing its share capital to €3,800 million divided into 950,000,000 shares, and the "Issue premium" item to €900 million.

T. Off-balance sheet commitments

Commitment accounts are defined in the French General Chart of Accounts separately from balance sheet and off-balance sheet accounts, as rights and obligations that may change the value or substance of a company's assets, where the effects of such rights and obligations are contingent on the fulfilment of conditions or the completion of subsequent transactions.

Commitments may only be listed under off-balance sheet commitments if they pertain to transactions occurring after the balance-sheet date (commitments made in the normal course of business), or if they relate to contingent assets and liabilities (guarantee commitments).

- Contingent liabilities result from:
 - either the existence of a liability that is not likely or certain to cause an outflow of resources,
 - or from a potential liability, which will only crystallise if one or more uncertain future events not entirely under the company's control occur.
- A contingent asset is a potential asset resulting from past events, the existence of which will only be confirmed by the occurrence (or non-occurrence) of one or more uncertain future events that are not entirely under the company's control.

U. Cash flow statement

La Poste prepares a cash flow statement, which shows the inflows and outflows of cash and cash equivalents classified under operating, investing and financing activities.

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

Cash flows from operating activities are determined based on the indirect method whereby the net profit for the year is adjusted for all non-cash transactions (*i.e.* net charges to depreciation, amortisation and provisions other than those relating to current assets plus business-related changes in working capital), deferrals or adjustments relating to past or future operating cash inflows or outflows and all income and expenses associated with cash flows from investing or financing activities.

Investing activities correspond to the purchase or sale of non-current assets and any other investments not included in cash and cash equivalents.

La Poste's cash flows from investing activities primarily consist of the purchase or sale of the following items:

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

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

Cash flows from financing activities include the sources of financing (new borrowings) and related outflows (La Poste savings bond redemptions and debt repayments).

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

La Poste's cash and cash equivalents include cash on hand, cash at bank and marketable securities that do not carry any material risk of loss in value on account of their nature and can be readily converted into cash (particularly money-market UCITS), and the portion of bank credit balances and accrued interest not due relating to overdrafts.

V. Consolidated financial statements

The consolidated financial statements are prepared at Le Groupe La Poste level. La Poste, which is registered with the Paris Trade and Companies Registry under number 356 000 000 and whose registered office is located at 9 rue du Colonel Pierre Avia, 75015 Paris, is the parent company.

Notes to the parent company financial statements

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NOTES TO THE INCOME STATEMENT

NOTE 1 REVENUE AND OTHER OPERATING REVENUE

1.1	Revenue of the Services-Mail-Parcels business unit	433	1.3	Revenue of the La Poste Network business unit	435
1.2	Revenue of the Digital Services business unit	434	1.4	Real Estate revenue	435
			1.5	Other operating income	435

Revenue from La Poste broke down as follows:

(in € million)	31/12/2018	31/12/2017
Services-Mail-Parcels revenue	10,505	10,711
Digital Services revenue	11	9
La Poste Network revenue	926	1,006
Real Estate revenue	19	20
TOTAL	11,462	11,746

As at 31 December 2018, revenue by geographical regions was as follows:

- France/domestic sales: 94.0%;
- European Union: 4.0%;
- Other: 2.0%.

The breakdown by geographic area was unchanged compared to the end of December 2017.

1.1 Revenue of the Services-Mail-Parcels business unit

Revenue of the Services-Mail-Parcels business unit (domestic and international) broke down as follows:

(in € million)	31/12/2018	31/12/2017
Services-Mail revenue	8,661	8,948
Parcels revenue	1,844	1,763
TOTAL	10,505	10,711

• **Services-Mail revenue by activity** broke down as follows:

(in € million)	31/12/2018	31/12/2017
Correspondence	5,693	5,907
Advertising (direct marketing and PA*)	1,054	1,118
Press	375	393
International	726	670
Other Mail services	813	860
TOTAL	8,661	8,948

* PA: printed advertising.

"Correspondence" revenue included:

- €4,250 million in business mail (companies and other legal entities), compared with €4,388 million at the end of December 2017;
- and €1,443 million in single-piece mail (private individuals) compared with €1,519 million at the end of December 2017.

International mail revenue broke down as follows:

(in € million)	31/12/2018	31/12/2017
Mail franked at post office counters	88	97
Terminal dues	286	246
Other international mail revenue	353	327
TOTAL	726	670

International revenue corresponds to international business correspondence and terminal fees.

Terminal fees are the payments received by La Poste for delivering mail from abroad in France. They are determined at the balance-sheet date on the basis of estimates of weight and number of items distributed known at that date.

Other Mail revenue primarily includes revenue from collecting and delivering letters to homes.

• **Parcel revenue** broke down as follows:

(in € million)	31/12/2018	31/12/2017
BtoC (Business to Consumer)	1,355	1,271
CtoC (Consumer to Consumer)	419	425
Other	69	67
TOTAL	1,844	1,763

1.2 Revenue of the Digital Services business unit

The revenue from the Digital Services business unit was as follows:

(in € million)	31/12/2018	31/12/2017
Digital Services revenue	11	9
TOTAL	11	9

1.3 Revenue of the La Poste Network business unit

Revenue from La Poste Network was as follows:

(in € million)	31/12/2018	31/12/2017
La Poste Network revenue	926	1,006
TOTAL	926	1,006

Pursuant to current service agreements, La Poste invoices La Banque Postale for services relating to the financial activities provided by the post offices, which primarily include:

- counter staff's activities relating to "financial services" transactions;
- installation and operational management of ATMs.

These two services amounted to €856 million at 31 December 2018 compared with €932 million at 31 December 2017.

La Poste Network's revenue also included commissions received on third-party sales (excluding mail and parcels) carried out at post office counters, and compensation received for use of its commercial network (Chronopost and La Poste Mobile).

1.4 Real Estate revenue

Revenue from Real Estate activity was as follows:

(in € million)	31/12/2018	31/12/2017
Real Estate revenue	19	20
TOTAL	19	20

Real Estate revenue primarily consists of the services provided by La Poste to its real estate subsidiaries.

1.5 Other operating income

(in € million)	31/12/2018	31/12/2017
Press contribution	112	121
Banking services	1,986	2,023
Capitalised production	107	80
Services performed with subsidiaries	77	73
Other operating income	110	120
TOTAL	2,392	2,418

In line with the commitments made by the French State since 2008, the State pays the additional costs incurred by La Poste pertaining to the public service mission of press transportation and delivery.

This compensation was set at €112 million for 2018 (versus €121 million at 31 December 2017).

Banking activity services include the reimbursement of expenses and income invoiced to La Banque Postale in respect of the banking activities carried out by La Poste. They broke down as follows:

(in € million)	31/12/2018	31/12/2017
"Financial services" personnel expenses	831	850
Costs of "La Poste Network banking advisory line"	1,155	1,173
TOTAL	1,986	2,023

Services performed for subsidiaries were as follows:

(in € million)	31/12/2018	31/12/2017
Services charged to subsidiaries	32	26
Personnel expense recharges	3	4
Management fees charged to first-level subsidiaries	41	43
of which La Banque Postale	23	23
TOTAL	77	73

NOTE 2 OTHER EXTERNAL EXPENSES

Other external expenses broke down as follows:

(in € million)	31/12/2018	31/12/2017
External services	2,038	1,857
Transport	734	714
International mail services	194	200
Rental expenses	961	965
Maintenance and repair costs	290	270
Telecommunications expenses	93	80
Travel and assignments	111	110
Customer transaction costs	68	62
TOTAL	4,488	4,258

The "External services" item consists mainly of outsourced services (€869 million) and of intermediaries' expenses and fees (€300 million).

The "Rentals" item includes property expenses (leases and rental expenses in the amount of €785 million) and vehicle rentals (€151 million).

The "Transport" item includes national and international mail transport (€697 million) as well as the costs of the sub-contracted transport of funds (€31 million).

NOTE 3 TAXES AND DUTIES

Taxes, duties and similar payments broke down as follows:

(in € million)	31/12/2018	31/12/2017
Payroll taxes	468	478
Public transport allowance	81	81
Local taxes	15	22
Voluntary apprenticeship tax payments	46	47
Housing tax contributions (F.N.A.L)	28	28
Vocational training tax charge	37	35
Employer construction tax charge	28	28
Miscellaneous taxes	23	27
TOTAL	726	746

The "Local taxes" item primarily consists of the Regional Economic Contribution tax (€13 million). Since 2011, pursuant to the provisions of French Postal Act No. 2010-123 of 10 February 2010, La Poste

receives a tax reduction on this contribution whose final amount for 2018 was published in the form of a decree on 26 December 2018.

NOTE 4 PERSONNEL EXPENSES

Personnel expenses broke down as follows:

(in € million)	31/12/2018	31/12/2017
Wages and salaries, bonuses and allowances	6,357	6,365
Civil servant pension contributions	732	852
Social contributions	1,536	1,507
Employee welfare costs	195	195
Other personnel expenses	134	164
Employment Competitiveness Tax Credit (CICE)	(252)	(352)
TOTAL	8,704	8,731

The change in personnel expenses (–€128 million, excluding CICE) largely arose from:

- the change recorded on the "Wages and salaries, bonuses and allowances" item (–€8 million);
- the decline observed on civil servant pension contributions (–€120 million) due to the combined fall in the number of civil servants and the voluntary contribution rate (32.5% in 2018 compared to 34.8% in 2017).

The 2012 Supplementary Budget Act of 29 December 2012 established a tax credit for competitiveness and employment (CICE) with effect from 1 January 2013. It is recognised as a deduction from personnel expenses in the financial statements of La Poste.

Consequently, a tax credit was recognised as a reduction of personnel expenses for the year for €252 million.

The Supplementary Budget law for 2018 decreased the CICE rate to 6% with effect from 1 January 2018 (compared with 7% previously), before the end of this measure from 1 January 2019.

The CICE was no longer included in provisions and accrued expenses at the end of December 2018.

The breakdown of headcount was as follows (based on equivalent employees/year):

Number of employees	31/12/2018	31/12/2017
TOTAL	186,184	191,897

NOTE 5 NET DEPRECIATION, AMORTISATION, PROVISIONS AND IMPAIRMENT

Net depreciation, amortisation, provisions and impairment broke down as follows:

(in € million)	31/12/2018	31/12/2017
Depreciation and amortisation	302	312
Deferred expense charges	1	1
Net asset impairment charges/reversals	(5)	(14)
Net contingency and loss provision charges/reversals	(127)	(232)
TOTAL	172	67

- The breakdown of depreciation and amortisation is shown in Notes 9 and 10 to the balance sheet.
- The breakdown of net provision allowances and reversals for the impairment of assets is shown in Note 18.
- The breakdown of contingency and loss provisions is shown in Note 20.

NOTE 6 FINANCIAL PROFIT/(LOSS)

Financial profit/(loss) broke down as follows:

(in € million)	31/12/2018	31/12/2017
Net profit/(loss) from foreign currency	-	-
Net result on loans, borrowings and other fixed asset investments	5	21
Income from equity investments	479	439
Other financial revenue and expenses	6	3
TOTAL	490	463

Financial profit/(loss) at 31 December 2018 primarily consisted of:

- income from equity investments, which broke down as follows:

(in € million)	31/12/2018	31/12/2017
La Banque Postale	344	312
GeoPost	130	126
Poste Immo	4	-
Other	1	1
TOTAL	479	439

- net result of borrowings after hedging (-€167 million), interest income from subsidiaries (+€108 million) and interest income from perpetual subordinated bonds (+€64 million);
- other financial revenue and expenses which are mainly formed by the return on term investments (+€6 million).

NOTE 7 NON-RECURRING ITEMS

Non-recurring items broke down as follows:

(in € million)	31/12/2018	31/12/2017
Net results from asset disposals	2	(12)
Net accelerated depreciation	15	22
Miscellaneous non-recurring income and expenses	(1)	(1)
TOTAL	16	9

NOTE 8 INCOME TAX

(in € million)	31/12/2018	31/12/2017
Income or expenses on tax consolidation	216	359
Tax net (income or expense)	9	(120)
TOTAL	225	238

At 31 December 2018, the whole La Poste tax group recorded a loss. The tax group included 129 subsidiaries at 31 December 2018 (versus 119 at 31 December 2017).

For the 2018 fiscal year, the French Corporate Tax rate was 28% up to a ceiling of €500,000 taxable profit, and 33.33% above. The social contribution corresponds to 3.3% of the reference corporate tax less an allowance of €763,000 for subsidiaries of which the taxable profit exceeds €2,290,000.

The tax consolidation benefit represents the total tax expense of profit-making subsidiaries in the tax group, and amounted to €216 million.

The amount of subsidiaries' losses used by La Poste under the tax consolidation group rules totalled €168 million as at 31 December 2018. Under the La Poste tax group agreement, subsidiaries returning to profit retain the option of using loss carry-forwards arising during the tax group period to calculate the tax expense owed to the parent company. The use of such tax losses by subsidiaries results in an expense for the Group in the fiscal year in which such losses are used, as long as the subsidiaries remain part of the tax group.

The income net of tax of €9 million mainly corresponds to the tax credits of La Poste (excluding CICE) for the fiscal year.

(in € million)	31/12/2018	31/12/2017
Items that reduce future tax liability		
temporary differences		
of which:		
• Provisions for early retirement and retirement benefits	1,210	1,261
• Non-deductible provisions	99	121
• Swaps and swap-related items	7	11
• Other temporary differences (including unrealised foreign exchange gains)	66	60
TOTAL	1,381	1,453
Items that increase future tax liability		
Poste Immo – Roll-over relief on capital contribution	145	167
Miscellaneous	46	60
TOTAL	190	227

NOTES TO THE BALANCE SHEET

NOTE 9 INTANGIBLE ASSETS

9.1	Gross value	440	9.2	Depreciation, amortisation and impairment	440

Movements in intangible assets and the corresponding depreciation, amortisation and impairments broke down as follows:

9.1 Gross value

(in € million)	Amounts at 31/12/2017	Acquisitions	Disposals	Reclassifications	Amounts at 31/12/2018
Research and development costs	143	2	(5)	27	168
Licences, patents and similar rights	57	-	(3)	-	54
Software	924	11	(10)	90	1,015
Leasehold rights	13	-	(2)	-	11
Goodwill	3	-	-	-	3
Intangible assets under construction	131	132	(1)	(117)	146
TOTAL	1,270	144	(21)	-	1,395

The "reclassifications" column corresponds to non-current assets commissioned during the year.

9.2 Depreciation, amortisation and impairment

(in € million)	Amounts at 31/12/2017	Increase	Decrease	Reclassifications	Amounts at 31/12/2018
Research and development costs	93	18	(5)	-	107
Licences, patents and similar rights	54	2	(3)	-	53
Software	782	93	(10)	-	865
Leasehold rights	12	-	(2)	-	11
Intangible assets under construction	-	-	-	-	-
Other intangible assets	941	113	(20)	-	1,036
Goodwill impairment	2	-	-	-	2
TOTAL	943	113	(20)	-	1,039

Research and development costs expensed in 2018 amounted to €42 million.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

10.1 Gross value	441	10.2 Depreciation, amortisation and impairment	441

Movements in property, plant and equipment and the corresponding depreciation, amortisation and impairments broke down as follows:

10.1 Gross value

(in € million)	Amounts at 31/12/2017	Acquisitions	Disposals	Reclassifications	Amounts at 31/12/2018
Land	83	-	-	-	83
Buildings	236	-	(12)	6	230
Land and buildings	319	-	(12)	6	313
Plant and machinery	1,386	39	(29)	23	1,418
Vehicles	97	4	(20)	-	80
IT equipment	439	35	(21)	1	453
Other property, plant and equipment	1,576	37	(44)	12	1,582
Property, plant and equipment in progress	34	72	-	(43)	64
Other property, plant and equipment	3,532	187	(114)	(6)	3,597
TOTAL	3,851	187	(126)	-	3,910

10.2 Depreciation, amortisation and impairment

(in € million)	Amounts at 31/12/2017	Increase	Decrease	Reclassifications	Amounts at 31/12/2018
Buildings	171	6	(10)	-	166
Plant and machinery	1,198	63	(29)	-	1,231
Vehicles	78	7	(20)	-	64
IT equipment	377	33	(20)	-	390
Other property, plant and equipment	1,157	82	(38)	-	1,202
Other property, plant and equipment	2,981	191	(117)	-	3,053
Land and building impairment	1	-	(1)	-	-
TOTAL	2,982	191	(118)	-	3,053

NOTE 11 NON-CURRENT FINANCIAL ASSETS

This item broke down as follows:

(in € million)	31/12/2017	Increase	Decrease	31/12/2018
Equity investments	7,307	30	-	7,336
Impairment on equity investments	(25)	(3)	-	(28)
Net equity investments	7,282	26	-	7,308
Intercompany loans	3,588	648	(467)	3,769
Other loans	64	2	(5)	61
Impairment on loans	(15)	-	1	(14)
Net loans receivable	3,638	650	(472)	3,816
Net other non-current financial assets	810	4	(4)	810
TOTAL	11,730	680	(476)	11,934

- The primary changes recorded on La Poste's equity investments came from:

- the capital increase of La Poste Telecom, subscribed by La Poste for €20.4 million on 20 February 2018;
- the capital increase of Recygo, subscribed by La Poste for an amount of €5.8 million in December 2018, in exchange for a partial transfer of assets from La Poste to Recygo. After this transaction, La Poste transferred to its subsidiary La Poste

Nouveaux Services all of its Recygo shares, in exchange for a capital increase in La Poste Nouveaux Services, wholly subscribed by La Poste for €5.8 million;

- the capital increase of Toit et Joie, wholly subscribed by La Poste for €3 million, on 6 April 2018.
- The impairment of the equity investments concerns the Mediapost Holding, Somepost and Sofrepost subsidiaries.

The “loans” item consists mostly of loans granted by La Poste to its subsidiaries.

- the main changes in intercompany loans recorded at the end of December 2018 broke down as follows:

(in € million)	Increase	Decrease
GeoPost	161	145
Véhiposte SAS	133	115
Véhiposte GIE	-	31
La Poste Silver	40	3
Armadillo	28	31
Asendia	30	-
Mediapost SAS	-	4
Docaposte	92	73
Viapost	20	-
La Poste Global Mail	79	-
Neolog	-	1
Morin Logistic	-	1
Change in AIND ^(a)	65	64
TOTAL	648	467

(a) Accrued interest not due (AIND).

- The impairment on loans relates to loans to subsidised housing construction entities (included in “Other loans”).

Other non-current financial assets consist primarily of perpetual subordinated bonds issued by La Banque Postale and fully purchased by La Poste in December 2013 for €800 million.

These bonds may be repaid under certain conditions. Furthermore, La Poste is obliged to convert the bonds into La Banque Postale shares in the event of non-compliance with certain regulatory ratios.

Accrued interest not due recognised under subordinated notes as at 31 December 2018 amounted to €3.2 million.

The breakdown of loans and other non-current financial assets by maturity was as follows:

(in € million)	31/12/2018	Maturity			31/12/2017
		< 1 year	1 to 5 years	> 5 years	
Equity investments	7,336	-	-	7,336	7,307
Gross loans	3,830	221	1,562	2,048	3,653
Other non-current financial assets	810	3	6	800	810
TOTAL	11,977	224	1,568	10,185	11,770

NOTE 12 INVENTORIES AND WORK-IN-PROGRESS

(in € million)	31/12/2018			31/12/2017
	Net amount	Impairment	Net carrying amount	
Inventories of raw materials, supplies, traded goods and other supplies	84	(1)	83	78
Finished and semi-finished product inventories	12	(1)	11	11
TOTAL	96	(2)	94	89

NOTE 13 OPERATING RECEIVABLES AND PAYABLES

13.1 Operating receivables	444	13.2 Operating payables	444

13.1 Operating receivables

Operating receivables broke down as follows:

(in € million)	31/12/2018	Maturity			31/12/2017
		< 1 year	1 to 5 years	> 5 years	
Trade receivables and related accounts	937	937	-	-	959
Impairment of trade receivables	(24)	(24)	-	-	(23)
International mail receivables	778	778	-	-	648
Trade receivables and related accounts	1,691	1,691	-	-	1,584
Tax and employee-related receivables	683	354	329	-	632
Other operating receivables	64	64	-	-	67
Other receivables	747	418	329	-	699
TOTAL	2,439	2,110	329	-	2,282

Tax and employee-related receivables primarily consist of the Press Subsidy and the €329 million receivable from the French State in respect of the tax credit for competitiveness and employment (CICE).

13.2 Operating payables

Operating payables broke down as follows:

(in € million)	31/12/2018	Maturity			31/12/2017
		< 1 year	1 to 5 years	> 5 years	
Trade payables and related accounts	929	929	-	-	870
International mail payables	345	345	-	-	338
Tax and employee-related payables	1,364	1,364	-	-	1,211
Other operating payables	591	591	-	-	483
TOTAL	3,229	3,229	-	-	2,902

Receivables and payables on international mail transactions are mostly incurred with foreign postal operators in connection with terminal dues. Terminal dues are products charges for services performed by post offices in order to process mail arriving from other foreign operators.

NOTE 14 ACCRUED INCOME AND EXPENSES

14.1 Assets	445	14.2 Liabilities	445

14.1 Assets

(in € million)	Note	31/12/2018		31/12/2017	
		Accrued income	Balance sheet	Accrued income	Balance sheet
Intercompany loans	11	65	3,769	64	3,588
Other non-current financial assets	11	3	810	3	810
Trade receivables and related accounts	13	57	937	61	959
Other international mail accounts receivable	13	721	778	590	648
Tax and employee-related receivables	13	65	683	113	632
Other operating receivables	13	24	64	40	68
TOTAL		934	-	872	-

14.2 Liabilities

(in € million)	Note	31/12/2018		31/12/2017	
		Accrued expenses	Balance sheet	Accrued expenses	Balance sheet
Financial liabilities	21	93	5,996	96	6,096
Trade payables and related accounts	13	741	929	668	870
Other international mail liabilities	13	318	345	311	338
Tax and employee-related payables	13	786	1,364	803	1,211
Other operating payables	13	206	591	172	483
TOTAL		2,144	-	2,050	-

Accrued tax and employee-related expenses mostly included a provision for paid leave (€228 million in expenses at 31 December 2018 compared with €256 million at 31 December 2017).

NOTE 15 MISCELLANEOUS RECEIVABLES AND PAYABLES

This item broke down as follows:

(in € million)	31/12/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Current accounts	232	185	221	122
Receivables/payables with La Banque Postale	13	32	27	40
Other debtors/creditors	53	47	39	59
TOTAL	298	264	287	221

The current account position presents La Poste's position in the context of the central corporate treasury system set up with the Group's subsidiaries.

Receivables and payables with La Banque Postale arose due to La Poste's industrial and commercial activities.

The other receivables balance consisted mainly of:

- €32 million in third-party receivables;
- €13 million in issue premiums on bonds;

- €8 million in deferred bond issue expenses.

The other payables balance mostly consisted of:

- repayable cash amounts received on behalf of third parties (€32 million in 2018 versus €34 million in 2017), which corresponded to sales made by La Poste on behalf of third parties (telecom operators, Chronopost, etc.);
- the unpaid portion of the subscription to the XAnge Digital 3 fund for €12 million, and to the XPansion 2 fund for €1 million.

NOTE 16 ACCRUAL ACCOUNTS

16.1 Assets	446	16.2 Liabilities	447

16.1 Assets

(in € million)	31/12/2018	31/12/2017
Unrealised foreign exchange losses ^(a)	38	59
Pre-paid expenses	43	28
Other transactions	15	13
TOTAL	96	100

(a) Unrealised foreign exchange differences primarily relate to borrowings in foreign currencies which are backed by currency swaps to fully hedge exchange rate risk.

Pre-paid expenses mainly included:

- pre-paid expenses on bond equalisation payments, which amounted to €17 million (versus €13 million at 31 December 2017);

- pre-paid operating expenses of €22 million (€15 million at 31 December 2017), which primarily corresponded to property rent invoiced in advance.

16.2 Liabilities

(in € million)	31/12/2018	31/12/2017
Unrealised foreign exchange gains ^(a)	39	58
Deferred income	144	178
TOTAL	183	236

(a) Unrealised foreign exchange differences primarily relate to borrowings in foreign currencies which are backed by currency swaps to fully hedge exchange rate risk.

Pre-paid income consisted of:

- pre-paid income on bond equalisation payments, which amounted to €8 million (compared with €12 million at 31 December 2017);
- pre-paid operating income, which amounted to €136 million (versus €166 million at 31 December 2017).

NOTE 17 MARKETABLE SECURITIES AND CASH

This item broke down as follows:

(in € million)	31/12/2018	31/12/2017
Marketable securities	577	619
Impairment of marketable securities	-	-
Marketable securities	577	619
Cash at bank	1,910	1,539
Cash on hand	4	4
TOTAL	2,491	2,162

Marketable securities are made up of short-term investments, which are easily convertible into known amounts of cash and where the risk of a loss in value is negligible.

- At 31 December 2018, they were exclusively made up of unit trusts (SICAV) and mutual funds (FCP) for €577 million.
- Unrealised gains on marketable securities (UCITS only) at 31 December 2018 amounted to €0.7 million (versus €1 million at 31 December 2017).

Cash includes bank accounts, bills of exchange receivable and cash investments.

- At 31 December 2018, term account and term deposit outstandings were €1,476 million (compared to €1,285 million at 31 December 2017).
- In addition, at 31 December 2018 La Poste had invested €300 million in interest-bearing current accounts (compared to €133 million at 31 December 2017).

NOTE 18 ASSET IMPAIRMENT

Changes in asset impairment in 2018 were as follows:

(in € million)	Amounts at 31/12/2017	Increase 2018	2018 reversals			Amounts at 31/12/2018
			used	unused	Reclassifications	
Intangible assets	2	-	-	-	-	2
Tangible assets	1	-	(1)	-	-	1
Impairment of property, plant and equipment and intangible assets	3	-	(1)	-	-	3
Equity investments	25	3	-	-	-	28
Loans	15	-	(2)	-	-	13
Impairment of non-current financial assets	40	3	(2)	-	-	41
Inventories and work-in-progress	2	1	(2)	-	-	1
Trade receivables and related accounts	23	6	(2)	(4)	-	24
Other debtors	23	2	(5)	(1)	-	19
Impairment of current assets	49	9	(9)	(5)	-	44
TOTAL	92	12	(12)	(5)	-	88

Impairment charges on assets are recorded in accordance with the principles defined in Section G "Accounting policies".

Allowances and reversals relative to impairment in the period broke down as follows:

(in € million)	Increase			Reversals		
	Operating profit/(loss)	Financial profit/(loss)	Non- recurring items	Operating profit/(loss)	Financial profit/(loss)	Non- recurring items
Property, plant and equipment and intangible assets	-	-	-	-	-	(1)
Equity investments	-	3	-	-	-	-
Loans	-	-	-	-	(2)	-
Inventories and work-in-progress	1	-	-	(2)	-	-
Trade receivables and related accounts	6	-	-	(6)	-	-
Other debtors	2	-	-	(6)	-	-
TOTAL	9	3	-	(14)	(2)	(1)
GRAND TOTAL	-	12	-	-	(17)	-

NOTE 19 EQUITY

Changes in equity broke down as follows:

(in € million)	Share capital	Share premium account	Reserves	Retained earnings	Net profit/(loss) for the year	Total Equity
BALANCE AT 31/12/2016	3,800	900	521	435	281	5,937
Appropriation of earnings	-	-	14	96	(110)	-
Dividend payments	-	-	-	-	(171)	(171)
Net profit/(loss) for the period	-	-	-	-	659	659
BALANCE AT 31/12/2017	3,800	900	536	531	659	6,425
Appropriation of earnings	-	-	33	455	(488)	-
Dividend payments	-	-	-	-	(171)	(171)
Net profit/(loss) for the period	-	-	-	-	70	70
BALANCE AT 31/12/2018	3,800	900	568	986	70	6,323

As at 31 December 2018, La Poste's share capital amounted to €3.8 billion, divided into 950 million ordinary shares with a par value of €4 each. As at that date, it was 73.7% held by the French State and 26.3% by Caisse des Dépôts.

Other equity:

On 3 May 2018, La Poste issued undated hybrid debt securities for €750 million.

In 2018, La Poste paid its shareholders a dividend of €0.18 per share, amounting to a total of €171 million broken down as follows:

- the French State: €126 million;
- CDC: €45 million.

NOTE 20 CONTINGENCY AND LOSS PROVISIONS

The following changes occurred in contingency and loss provisions:

(in € million)	Amounts at 31/12/2017	Increase 2018	2018 reversals		Amounts at 31/12/2018
			used	unused	
End-of-career arrangements	976	367	(450)	-	894
Retirement benefits for contract staff	302	17	(4)	-	316
Long-term sick leave/paid holiday/local taxes	361	15	(31)	-	344
Legal risks	35	1	(3)	(6)	28
Refurbishment	25	2	(1)	-	26
Employee-related disputes	58	13	(6)	(20)	45
Claims and damages	18	11	(6)	(1)	21
Other contingency and loss provisions	107	41	(19)	(48)	81
TOTAL	1,882	467	(520)	(75)	1,755
Accelerated depreciation	60	5	(19)	-	46

The main assumptions used to measure provisions for early retirement plans for civil servants and end-of-career arrangements for contract employees are described in Note 24.

Provisions for legal risks relate to claims brought before administrative, civil or commercial courts.

The refurbishment programme provision is intended to cover losses incurred on the return of vehicles used under a lease agreement with Véhiposte.

Provisions for employee-related disputes cover all employee disputes (industrial tribunals, etc.) and the risk of adjustments demanded by URSSAF (French social security body).

The schedule for contingency and loss provisions at 31 December 2018 was as follows:

(in € million)	Amounts at 31/12/2018	Year Y+1	Year Y+2	Year Y+3	Year Y+4	Year Y+5
End-of-career arrangements	894	358	256	154	82	44
Retirement benefits for contract staff	316	13	6	7	8	283
Long-term sick leave/paid holiday/local taxes	344	159	95	79	10	1
Legal risks	28	27	1	-	-	-
Refurbishment	26	15	5	3	2	1
Employee-related disputes	45	30	8	3	2	2
Claims and damages	21	2	10	4	3	2
Other contingency and loss provisions	81	48	16	7	5	5
TOTAL	1,755	653	396	256	111	339

Allowances and reversals over the period broke down as follows:

(in € million)	Increase			Reversals		
	Operating profit/(loss)	Financial profit/(loss)	Non- recurring items	Operating profit/(loss)	Financial profit/(loss)	Non- recurring items
End-of-career arrangements	367	-	-	(450)	-	-
Retirement benefits for contract staff	17	-	-	(4)	-	-
Long-term sick leave/paid holiday/local taxes	15	-	-	(31)	-	-
Legal risks	1	-	-	(9)	-	-
Refurbishment	2	-	-	(1)	-	-
Employee-related disputes	13	-	-	(26)	-	-
Claims and damages	11	-	-	(7)	-	-
Other contingency and loss provisions	38	3	-	(63)	(4)	-
TOTAL	464	3	-	(591)	(4)	-
GRAND TOTAL	-	467	-	-	(595)	-
Accelerated depreciation	-	-	5	-	-	(19)

NOTE 21 FINANCIAL DEBT

Financial debt broke down as follows:

(in € million)	31/12/2018	31/12/2017
Bonds (excluding AIND)	5,050	5,050
Other borrowings (excluding AIND)	470	470
Accrued interest not due (AIND)	73	76
Borrowings	5,593	5,596
La Poste savings bonds (excluding AIND)	54	56
Accrued interest not due (AIND)	20	21
La Poste savings bonds	75	76
Deposits and guarantees received	91	122
Short-term borrowings	150	151
Bank accounts and bills of exchange payable	87	151
TOTAL	5,996	6,096

The change in borrowings is essentially associated with maturities and new issues that occurred throughout the year (see highlights).

The debt maturity schedule (excluding bank accounts and bills of exchange payable) was as follows:

	Maturity in < 1 year		Maturity in 1 to 5 years		Maturity in > 5 years		Total	
(in € million)	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Bonds (excluding AIND)	800	500	2,000	1,800	2,250	2,750	5,050	5,050
Other borrowings (excluding AIND)	-	-	-	-	470	470	470	470
La Poste savings bonds (excluding AIND)	54	56	-	-	-	-	54	56
Deposits and guarantees received	68	99	22	23	-	-	91	122
Short-term borrowings (excluding AIND)	150	151	-	-	-	-	150	151
Accrued interest not due (AIND)	93	96	-	-	-	-	93	96
TOTAL	1,166	902	2,022	1,823	2,720	3,220	5,908	5,945

The change in borrowings, excluding accrued interest not due, was as follows:

(in € million)	31/12/2017	Increase	Decrease	Translation adjustments	31/12/2018
BORROWINGS	5,520	500	(500)	-	5,520

As at 31 December 2018, the breakdown of borrowings by interest-rate type was as follows:

(in € million)	Debt breakdown before impact of interest-rate swaps		Impact of fixed- for-floating swaps	Debt breakdown after impact of interest-rate swaps	
	Amounts	%	Amounts	Amounts	%
Fixed-rate borrowings	5,520	100%	-	5,520	100%
Variable-rate borrowings	-	0%	-	-	0%
TOTAL BORROWINGS	5,520	100%	-	5,520	100%

As at 31 December 2018, the breakdown of outstanding borrowings by currency was as follows:

(in € million)	Debt breakdown before impact of currency swaps		Impact of currency swaps	Debt breakdown after impact of currency swaps	
	Amounts	%	Amounts	Amounts	%
Euro	5,050	91%	470	5,520	100%
US dollars	470	9%	(470)	-	0%
TOTAL BORROWINGS	5,520	100%	-	5,520	100%

Issue premium on bonds

Unamortised issue premiums stemming from the difference between the issue price received and the redemption price amounted to €13 million for all bonds (premiums paid) at 31 December 2018, versus €8 million (premiums paid) at 31 December 2017.

La Poste savings bonds

This item corresponds to La Poste's Savings Bonds' liability. Outstandings are decreasing due to the redemption of La Poste bonds, which have all reached maturity.

Deposits and guarantees received

This item principally consisted of collateral security guarantee received in conjunction with hedges amounting to €68 million at 31 December 2018, versus €99 million at 31 December 2017.

Short-term borrowings

In 2018, La Poste issued new commercial paper. At 31 December 2018, commercial paper outstandings amounted to €150 million.

NOTE 22 RELATED-PARTY TRANSACTIONS

Relations with the French State and public sector companies

Relations with the French State

La Poste has been a public limited company overseen by the Minister of the Economy and Finance and has been subject to economic and financial control by the French State, and the French Court of Auditors' and French Parliament's control procedures since the law of 10 February 2010, which reaffirmed the provisions of the July 1990 law on the restructuring of the postal and telecommunications public service.

The commitments of La Poste and the French State were redefined in the "Public Service Agreement 2013-2017" approved by the Group's Board of Directors on 22 April 2013 and signed by all stakeholders on 1 July 2013.

This agreement is based on the following principles:

- maintaining the broad scope of public service missions assigned to La Poste: universal postal service, press transportation and delivery, the banking accessibility and regional planning, as well as maintaining the principle of offsetting costs for the latter three missions;
- making progress in strengthening quality of service;
- missions adapted to users' expectations and technological advancements;
- the introduction of citizen commitments to promote the development of corporations and territories, act in favour of disadvantaged people, develop a digital society and engage in corporate social responsibility.

A new public service agreement between La Poste and the French State for the 2018-2022 period was approved by the Group's Board of Directors on 19 December 2017 and was signed on 16 January 2018.

This agreement is in line with the previous agreement and aims to perpetuate and modernise the performance of La Poste's four public service missions. These missions are supported by the French State in consideration of La Poste's compliance with demanding quality indicators.

In addition, this agreement increases citizen commitments to promote the development of a digital society, local services, and sustainable and responsible development.

The French Postal Regulation law of 20 May 2005 provided the French Authority for regulation of electronic communications and postal sectors (*Autorité de régulation des communications électroniques et des postes* – Arcep) with the power to regulate pricing for the universal postal service on a multi-year basis, after reviewing La Poste's proposals. In addition, the law confirmed and clarified La Poste's regional planning responsibilities.

Relations with Caisse des Dépôts

Following the decision of La Poste's Extraordinary General Shareholders' Meeting of 6 April 2011 to approve the €2.7 billion La Poste capital increase, Caisse des Dépôts holds 26.32% of La Poste's share capital.

Relations with public sector companies

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

Relations with consolidated companies

- Transactions carried out between consolidated companies are carried out under market conditions.
- Related companies are deemed to be companies that are fully consolidated by Le Groupe La Poste.

OFF-BALANCE SHEET COMMITMENTS

NOTE 23 DERIVATIVES

Hedging of liabilities

(in € million)	31/12/2018		31/12/2017	
	Notional	Fair value	Notional	Fair value
Hedging	1,689	71	1,965	96
Transactions in isolated open positions	-	-	-	-
TOTAL	1,689	71	1,965	96

The financial instruments used by La Poste are shown according to their hedging purpose.

Hedging swaps used for financial management purposes relate to transactions aimed at controlling the cost of La Poste's debt.

In accordance with Group accounting principles, a provision may be recorded on swaps in isolated open positions relating to La Poste's bonds, in order to cover unrealised losses on financial instruments.

The implementation of ANC Regulation 2015-05 of 2 July 2015 led La Poste to reclassify its financial instruments portfolio as hedging transactions.

As at 31 December 2018, these transactions were exclusively carried out with La Banque Postale.

Other hedging transactions

- In 2018, La Poste granted a new loan in roubles to Armadillo GmbH, following the expiry of the initial loan granted in 2017.

This new loan is valued at the outset for €29.2 million. The nominal amount of the loan is being hedged by a currency swap.

- In addition, La Poste performed forward foreign exchange purchase and sales transactions, particularly involving US dollars and pound sterling.

At 31 December 2018, as yet unsettled forward foreign exchange transactions translated to a mutual commitment of €34 million.

Counterparty risk management

Market transactions are only carried out with top-tier banks or financial institutions within the rating terms and the authorisation limits set for each counterparty by La Poste's Executive Management.

NOTE 24 EMPLOYEE BENEFIT OBLIGATIONS

24.1	Measurement methods	455	24.5	Retirement allowances for La Poste's contract staff	456
24.2	Main actuarial assumptions used to measure all employee benefit obligations	455	24.6	End-of-career benefits	456
24.3	Pension plan for civil servants working at La Poste	456	24.7	Other long-term benefits	457
24.4	Post-employment benefits granted to retired employees	456	24.8	Individual training account	457

All details about La Poste's post-employment and long-term benefit commitments are provided in this note.

The following table summarises the accounting treatment of the various existing plans:

	Balance sheet		Off-balance sheet	
	2018	2017	2018	2017
Post-employment benefits granted to retired civil servants			X	X
Retirement allowances for La Poste's contract staff	X	X		
End-of-career benefits	X	X		
Other long-term benefits (paid leave)	X	X		

24.1 Measurement methods

Post-employment long-term benefits

Post-employment long-term obligations resulting from defined benefit plans, together with the related costs, are measured using the projected unit credit method, in accordance with IAS 19 revised. Actuarial appraisals are carried out every year.

The calculations are based on independent economic actuarial assumptions for the discount rate, inflation rate, and the rate of increases in pensions, etc., and on assumptions specific to La Poste including employee turnover, mortality rate, and the rate of salary increases, etc.

24.2 Main actuarial assumptions used to measure all employee benefit obligations

Discount rate

The gross discount rates used for 2018, which were determined with reference to top-tier Euro zone corporate bonds, are as follows:

Length of the obligations	5 years	20 years
Discount rate (Euro zone)	0.7%	1.7%

Inflation rate

The inflation rate used to measure employee benefit obligations at 31 December 2018 is 2% (rate unchanged from 31 December 2017).

Change in pensions and compensation

Pension increases are linked to inflation. The long-term trend selected for wages and salaries is based on reasonable assumptions regarding inflation.

24.3 Pension plan for civil servants working at La Poste

Description of La Poste's liability

Article 150 of the 2006 Supplementary Budget Act, published in the Official Journal of 31 December 2006, sets out the pension funding plan for French civil servants working at La Poste. This plan changes the previous funding plan so as to gradually put La Poste on an equal footing with competitors.

The reform implemented in December 2006, approved by the European Commission in 2007, includes:

- the implementation of place an employer contribution which discharges it with effect from 1 January 2006. This rate was gradually decreased to a so-called "competitively fair" rate in 2010, i.e. a level that brings the mandatory salary-based social security and tax charges at La Poste into line with the level of other companies in the postal and banking sectors. For the 2006-2009 period, the law had set an additional rate (16.3% in 2006, 6.8% in 2007, 3.7% in 2008, and 1.3% in 2009), which was added to the competitively fair rate;
- the transfer of the task of centralising and distributing the flow of retirement benefits to La Poste's civil servants between the French State, La Poste and any other relevant bodies, to the EPNFRLP (the French State agency for the funding of La Poste's pensions), which was established via the Decree of 19 December 2006. The EPNFRLP is responsible for negotiating financial agreements provided for under Title II, Book II and under Title II, Book IX of the French Social Security Code;
- the payment of a one-time fixed contribution of €2 billion to this public agency by La Poste in 2006.

Since 1 January 2015, La Poste has paid contributions to *Centre d'action sociale* (CAS pensions) after the French State agency that funded La Poste's pensions was dissolved by Decree 2015-1742 of 23 December 2015.

With the implementation of this plan, and given that the employer contribution is made in full discharge of the obligation, no provision is recorded in La Poste's financial statements in respect of civil servants' retirement benefits.

24.4 Post-employment benefits granted to retired employees

Other post-employment benefit obligations include:

- employee welfare services provided to retired civil servants;
- a loyalty bonus granted to retired employees who hold their pension in a current account at La Banque Postale.

Measurement of the obligation

The total value of post-employment benefit obligations was estimated at €241 million as at 31 December 2018, versus €255 million at 31 December 2017.

In accordance with the option provided under Article L. 123-13 of the French Commercial Code, no provisions have been recorded in respect of these post-employment benefits.

24.5 Retirement allowances for La Poste's contract staff

Description of existing plans

Employees who retire from La Poste and are eligible for a pension receive a retirement benefit, which is determined on the basis of their length of service and final salary.

Amount recognised on the balance sheet

The amount of the provision recognised in respect of the retirement benefits for La Poste's contract staff (and shown in the "Contingency and loss provisions" item on the liabilities side of the balance sheet) was €316 million at 31 December 2018 (€302 million at 31 December 2017).

24.6 End-of-career benefits

Arrangements for part-time older employees ("TPAS")

Under certain conditions, La Poste employees may benefit from arrangements for part-time older employees ("TPAS"). These arrangements are offered to some people who meet the relevant minimum-age requirement (civil servants and contract staff), and length of service. This scheme was implemented in 2011, and its characteristics are adjusted each year according to the demographic and economic conditions of the Company, as well as to the laws applicable to retirement.

Amount recognised on the balance sheet

The value of the provision for this scheme (appearing under "Contingency and loss provisions" as a liability in the balance sheet) was €894 million at 31 December 2018 (€976 million at 31 December 2017).

This provision covers staff who joined the scheme prior to the balance-sheet date. No provision is recognised for future potential enrolments, which were estimated at €955 million at 31 December 2018.

The main features of the scheme, as defined in February 2016 for application in 2016 and extended until 30 June 2018 in December 2016, and subsequently extended to support function staff who do not work in strenuous roles from 1 July 2017 until 31 December 2020, are as follows:

- enrolment in the scheme is possible as from 56 years of age (civil servants and staff in office roles), and as from 53 years of age (civil servants in active roles) for persons in a position that is physically demanding, or who were previously in such a position for at least ten years;
- persons who are not in a physically demanding position may benefit from this scheme as from 57 years of age (civil servants and staff in office roles) or as from 54 years of age (civil servants in active roles);
- this scheme is open to staff, civil servants and employees under permanent contracts working at La Poste and who have at least ten years of service with La Poste;
- the length of participation in the plan is fixed upon enrolment and is not subject to change. Participation is for a minimum of one year and the maximum age at the end of the scheme corresponds to the pension eligibility age set by law;
- during the term of the scheme, the civil servant or staff member works part-time (70%) in an administrative position, with a proportional reduction in compensation;
- work during the term of the plan is arranged and divided between operating activities and a "support and advice" period;
- this scheme is open to all La Poste staff who meet the above conditions.

A TPAS scheme dedicated to the Social and Solidarity-based Economy was renewed for employees who want to use their experience to benefit charitable associations.

In addition to the terms and conditions required to access the arrangements for part-time older employees (TPAS) mentioned above, access to this new scheme is subject to meeting the following terms and conditions:

- obtaining prior approval from the department head;
- putting in an application to a host organisation approved by La Poste to validate the application and define the mission that will be conferred to the staff member within this organisation;
- establishing an availability agreement between La Poste and the host organisation as part of a skills sponsorship.

24.7 Other long-term benefits

Description of existing plans

These are paid leave plans:

- time savings accounts: a plan that allows employees to accrue part of their unused earned leave;
- supplementary leave: civil servants from French overseas departments or employees who work in French overseas departments receive paid supplementary leave, as well as paid travel expenses;
- long-term sick leave: total or partial entitlement to pay for civil servants suffering from certain serious illnesses.

Amount recognised on the balance sheet

The provision (included within the "Contingency and loss provisions" line item) was €344 million at 31 December 2018 (€361 million at 31 December 2017). These provisions are designed to cover the costs of individual members of the paid leave schemes described above as at the balance-sheet date.

24.8 Individual training account

Since 1 January 2015, rights acquired and not used by employees under Individual Training Rights are transferable into each staff member's personal training account (law 2014-288 of 5 March 2014 applicable as of 1 January 2015).

NOTE 25 OTHER OFF-BALANCE SHEET COMMITMENTS

25.1 Off-balance sheet commitments received 458

25.2 Off-balance sheet commitments given 458

25.1 Off-balance sheet commitments received

a) Off-balance sheet commitments received in relation to the consolidated Group

Commitments received in connection with the Company's share capital: none.

Commitments relating to the disposal of business units: none.

b) Off-balance sheet commitments received in relation to the Company's financing

Unused credit facilities and other potential sources of cash:

- on 16 March 2018, La Poste arranged a new five-year renewable credit facility for €1 billion, for which it received commitments from eleven banks in a banking pool. The implementation of this new credit facility followed the termination of the previous credit facility which were implemented in October 2011 with nine banks for an amount of €650 million. This new facility had not been used as at 31 December 2018;
- the overdraft facility obtained by La Poste from La Banque Postale was extended on 7 May 2018 for a period of one year, automatically renewed. This authorised overdraft facility was increased to €400 million. €61 million of this overdraft facility had been used at 31 December 2018;
- La Poste obtained a renewable credit facility of €400 million with La Banque Postale for a five-year period. The implementation of this new credit line followed the termination of the €200 million credit facility put in place in 2009 with La Banque Postale and renewed in 2014. This facility had not been used as at 31 December 2018;
- the revolving credit facility of €75 million, obtained by La Poste from BNP in October 2013, was terminated on 16 March 2018.

Financial instruments:

- financial instruments held and exercisable at a date after the balance-sheet date: none

c) Off-balance sheet commitments received in relation to the Company's operating activities

Guarantees received as part of La Poste's everyday business:

- the total guarantees, endorsements and sureties received by La Poste as part of its everyday business amounted to €58 million at 31 December 2018;

- the amount of property sale commitments for transactions that could occur in the next year totalled €2 million;

- the total value of property rental commitments received by La Poste from its subsidiaries (GeoPost, Poste Immo and La Banque Postale) amounted to €139 million at 31 December 2018.

25.2 Off-balance sheet commitments given

a) Off-balance sheet commitments given in relation to the consolidated Group

On 26 June 2018, La Poste and La Banque Postale signed a guarantee agreement, by means of which La Poste granted La Banque Postale a guarantee respecting its obligations concerning the "Major risks" ratio.

This guarantee is capped at €1 billion, with a maturity date set for 30 June 2020. At 31 December 2018, this guarantee had not been used.

b) Off-balance sheet commitments given in relation to the Company's financing

Financial instruments:

- financial instruments held and exercisable at a date after the balance-sheet date: none.

c) Off-balance sheet commitments given in relation to the Company's operating activities

Future rental payment commitments:

- the commitments within La Poste concerning Group companies amounted to €1,647 million of which €1,274 million in respect of property rental (Poste Immo) and €372 million in respect of vehicle rental (Véhiposte);
- La Poste has committed to paying leases outside the Group: the amount of this commitment is €434 million;
- La Poste's miscellaneous commitments (air transport services, photocopiers, maintenance, upkeep and building cleaning services, security services, and IT services, etc.) amounted to €176 million.

Obligation to employ disabled workers: none.

Social Housing Fund:

On 30 May 2017, La Poste and the union organisations signed an agreement on La Poste's social housing policy for the 2017-2019 period involving the purchase of social housing reservations for employees in social housing (HLM) construction programmes and extending the agreement signed on 7 April 2014 for the 2014-2016 period. The amount allocated to this fund is €20 million for the period.

At 31 December 2018, the remaining commitment for this fund was €6 million.

Finance leases: none.

Investment commitments:

- Orders to non-current asset suppliers at the end of 2018 amounted to €46 million.

Commitments given in relation to donations and corporate sponsorship:

- in June 2016, La Poste made a commitment to pay a total of €5 million in funds to Fondation d'Entreprise La Poste from 2017 to 2021. As at 31 December 2018, this commitment amounted to €2 million;
- La Poste's other commitments relating to sponsorship initiatives totalled €8.5 million at 31 December 2018.

NOTES TO THE CASH FLOW STATEMENT

NOTE 26 ALLOWANCES AND REVERSALS OF AMORTISATION, DEPRECIATION AND IMPAIRMENT, AND CONTINGENCY AND LOSS PROVISION

(in € million)	31/12/2018	31/12/2017
Charges/Reversals to operating profit/(loss)	176	80
Changes in CICE provisions	40	4
Charges/Reversals to financial profit/(loss)	1	9
Charges/Reversals to non-recurring items	(14)	(21)
TOTAL	203	72

NOTE 27 CHANGE IN WORKING CAPITAL REQUIREMENTS

(in € million)	31/12/2018	31/12/2017
Change in inventories and work-in-progress	(6)	(13)
Change in operating receivables	(130)	64
Change in operating payables	171	55
Change in other operating assets and liabilities	(55)	25
TOTAL	(20)	132

NOTE 28 PAYMENTS FOR ACQUISITIONS OF NON-CURRENT ASSETS

(in € million)	31/12/2018	31/12/2017
Acquisitions of intangible assets	(146)	(153)
Acquisitions of property, plant and equipment	(184)	(204)
Changes in payables to non-current asset suppliers	(3)	4
TOTAL	(333)	(353)

NOTE 29 PROCEEDS FROM NON-CURRENT ASSET DISPOSALS

(in € million)	31/12/2018	31/12/2017
Intangible assets and property, plant and equipment	10	6
Non-current financial assets	444	840
Securities	-	-
TOTAL	454	846

NOTE 30 BOND ISSUES

(in € million)	31/12/2018	31/12/2017
Bonds	500	-
La Poste savings bonds	-	-
Commercial paper	380	351
Other borrowings	-	-
TOTAL	880	351

NOTE 31 BOND REDEMPTIONS

(in € million)	31/12/2018	31/12/2017
Bonds	(500)	(600)
La Poste savings bonds	(1)	(2)
Commercial paper	(381)	(200)
Other borrowings	-	-
TOTAL	(883)	(802)

NOTE 32 CASH AND CASH EQUIVALENTS AT THE BALANCE-SHEET DATE

(in € million)	31/12/2018	31/12/2017
Marketable securities and cash	2,491	2,162
Bank account credit balances	(88)	(152)
Subsidiaries' current accounts	21	83
TOTAL	2,424	2,093

NOTE 33 SUBSIDIARIES AND EQUITY INVESTMENTS

	Share capital	Equity other than share capital	% equity interest	Book value of the securities held		Balance of loans and advances granted by the parent company	Pledges and guarantees given by the Company	Revenue before tax 31/12/2018	Profit/(loss) at 31/12/2018	Dividends received by La Poste
				Net amount	Net amount					
(in € million)										
Details of companies in which the gross value of the investment exceeds 1% of La Poste's share capital:										
Subsidiaries (over 50% interest)										
GeoPost										
26 rue Guynemer										
92130 Issy-les-Moulineaux	702	1,145	100%	1,240	1,240	1,776	-	76	94	130
La Banque Postale										
115 rue de Sèvres										
75275 Paris Cedex 06	4,046	1,811	100%	4,052	4,052	803	-	4,524	125	344
Poste Immo										
111 bd Brune										
75618 Paris Cedex 14	1,471	88	100%	1,493	1,493	961	-	120	69	4
Mediapost SAS										
19 rue de la Villette										
69425 Lyon Cedex 3	24	96	100%	155	155	35	-	417	7	-
Mediapost Holding										
Tour Cristal, 7-11 quai André										
Citroën										
75015 Paris	64	(13)	100%	64	42	4	-	-	(10)	-
Docaposte										
10-12 avenue Charles de Gaulle										
94220 Charenton-le-Pont	70	(27)	100%	136	136	203	-	7	(4)	-
Equity investments (held, between 10% and 50%)										
None										
Overall information on the other securities of which the gross value does not exceed 1% of La Poste's share capital:										
Subsidiaries/Equity Investments	2,916	53		195	191	791	-	856	91	2
TOTAL				7,336	7,308	4,572	-	5,999	372	479

20.2.2 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31 DECEMBER 2018)

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,

Opinion

In compliance with the engagement entrusted to us by your General Meeting, we have audited the accompanying financial statements of La Poste for the year ended 31 December 2018.

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 2018 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 Audit 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 applicable to us, for the period from 1 January 2018 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 or the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – Key audit matters

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) 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 for 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.

Measurement of equity investments

Description of risk

At 31 December 2018, equity investments totalled €7,336 million (gross) and €7,308 million (net). They are recognised at cost less any potential provisions for impairment.

As stated in Note II.H (Equity investments) to the financial statements, an impairment provision is recognised at the reporting date when the asset's book value is less than its carrying amount. The book value is generally calculated on the basis of the subsidiary's or unit's share of (potentially) consolidated equity or of discounted future cash flows.

At 31 December 2018, equity investments represented a significant portion of La Poste SA's assets, with book values based partly on estimates that require a certain degree of judgement from management. For the above reasons, we deemed their measurement to be a key audit matter.

How our audit addressed this risk

We assessed the consistency of the methodology used with the applicable accounting standards, and examined how it was implemented to measure book value.

When the book value of equity investments was established on the basis of the equity of the subsidiary or unit in question, we compared the book value of those investments with the equity shares held in the subsidiary/unit.

When the book value of equity investments was calculated on the basis of discounted future cash flows of the subsidiary or unit, we:

- compared the book value to that of the discounted future cash flows for the subsidiary or unit in question;
- assessed the appropriateness of the assumptions made by management, in particular the reasonableness of the cash flow projections in relation to our knowledge of the economic context, as well as the reliability of the procedure for making estimates, by analysing any material differences that arose between projected and actual cash flows in the past year;
- analysed the consistency of the inputs used to calculate the discount rates and growth rates applied to the cash flow estimates.

We also examined the appropriateness of the disclosures provided in the notes to the financial statements, particularly Note II.H (Equity investments), Note 11 (Non-current financial assets), and Note 33 (Subsidiaries and equity investments).

Measurement of end-of-career arrangements

Description of risk

At La Poste SA, there are several types of post-employment benefit plans, including end of career arrangements.

The commitment recorded in the financial statements corresponds to costs relating to employees who had enrolled in the plan at 31 December 2018 and represented an amount of €894 million at 31 December 2018. Future enrolments are not recorded as provisions but are mentioned under off-balance sheet commitments in the notes to the financial statements. They represented €955 million at 31 December 2018.

The measurement of these commitments and the related expenses for the year are described in Note II.P.3 (End-of-career arrangements) and Note 24.6 (End-of-career benefits) to the financial statements and are based on different assumptions, in particular the costs relating to each plan, the estimated number of enrolments at the year-end and, for off-balance sheet commitments, the likelihood of future enrolments, assessed on the basis of enrolment rates in previous years and management's best estimates.

Changes in some of these assumptions could have a significant impact on the valuation of the liability recognised and on the Company's earnings.

Due to the materiality of the amounts concerned and the degree of judgement required by management, we deemed the measurement of end-of-career arrangements to be a key audit matter.

How our audit addressed this risk

We assessed the underlying data used by the Company to measure the amount of the provision recorded as well as the corresponding off-balance sheet commitments. Our work consisted in:

- gaining an understanding of the process used to measure commitments relating to end of career arrangements;
- gaining an understanding of the internal control procedures put in place concerning the measurement of these commitments;
- testing the effectiveness of the controls put in place by the Company to determine the costs to be used in the measurement of end-of-career arrangements (identification of beneficiaries, authorisation, determination of the cost of each plan, etc.), which we considered key to our audit.

We also assessed the assumptions used by the Company to assess the amount of the provision and off-balance sheet commitments to be recorded and the methodology applied, including:

- the relevance of the methodology applied with respect to the relevant accounting standards;
- the consistency of the assumptions used to determine the amount of the provision, with the assistance of our internal specialists;
- the consistency of the data used in the calculations, by comparing it to historical data observed for previous plans and the Company's estimates for current plans;
- the appropriateness of the disclosures provided in Note II.P.3 (End-of-career arrangements) and Note 24.6 (End-of-career benefits) to the financial statements.

Mail segment revenue

Description of risk

The Company's revenue for 2018 amounted to €11,462 million, of which €8,661 million for the Mail segment. As described in Note II.B (Revenue) to the financial statements, revenue is recognised as and when the related service is provided, except for revenue from postage stamps and pre-paid envelopes, which is recognised at the time of sale (save in exceptional situations). To ensure that transactions are correctly recorded in the appropriate reporting period, the Company estimates the revenue to be recognised at each year-end, on the basis of assumptions such as mail delivery times and the sensitivity of sales of postage stamps and pre-paid envelopes to price changes.

Given the significant amount of the estimates involved and the materiality of the judgements and assumptions made by the Company, we deemed the recognition of Mail segment revenue, in particular the allocation of transactions to the appropriate reporting period, to be a key audit matter.

How our audit addressed this risk

Our work regarding Mail segment revenue and the allocation of transactions to the appropriate reporting period was as follows:

- gaining an understanding of internal control procedures relating to the computation of revenue in the billing system and the transfer of such data from the billing IT system to the accounting IT system;
- testing the effectiveness of certain controls that we considered key for our audit relating to the computation of revenue in the billing system and the transfer of such data from the billing IT system to the accounting IT system.

We also conducted tests of details on certain significant items relating to the correct allocation of revenue at year-end.

Regarding mail delivery times, we assessed the consistency of the assumptions used to determine the revenue to be recognised at the year-end, including:

- the consistency of the volume data taken into account compared with the previous year;
- on a sample basis, the consistency of the volume data and delivery dates taken into account with information extracted from the billing IT systems;
- on a sample basis, the consistency of the prices applied by type of product.

Regarding sales of postage stamps and pre-paid envelopes, we assessed the consistency of the assumptions used to determine the revenue to be recognised at the year-end, and in particular:

- the consistency of the sales data taken into account in comparison with that of previous comparable periods, adjusted for equivalent working days, expected changes in volumes and price changes for the different types of products;
- the consistency of the sales recorded at the year-end with monthly sales data.

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 Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information relating to payment terms, required under article D.441-4 of the French Commercial Code

Report on corporate governance

We attest that the corporate governance section of the Board of Directors' report sets out the information required by articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of article L.225-37-3 of the French Commercial Code relating to remuneration and benefits received by corporate officers and any other commitments made in their favour, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling it or controlled by it. Based on this work, we attest to the accuracy and fair presentation of this information.

Other information

In accordance with French law, we have verified that the required information concerning the acquisition of investments and controlling interests has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of La Poste by the Combined Ordinary and Extraordinary General Meeting of 11 June 2015 for PricewaterhouseCoopers Audit and by the inter-ministerial decree of 29 June 2009 for KPMG Audit.

At 31 December 2018, PricewaterhouseCoopers Audit and KPMG Audit were in the fourth and tenth 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 Audit 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 Board of Directors.

Responsibilities of the 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 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 Audit Committee

We submit a report to the Audit 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 Audit 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 Audit 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 Audit Committee.

Neuilly-sur-Seine and Paris La Défense, 8 March 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Eric Bertier
Partner

Jacques Lévi
Partner

KPMG Audit

Department of KPMG SA

Eric Amato
Partner

Marie-Christine Jolys
Partner

20.3 Dividend policy

The dividend that will be paid in 2019 for 2018 will be decided by the Board of Directors, which will then submit it for approval at the next Ordinary General Meeting, to be held on 5 June 2019.

La Poste paid a dividend of €171 million for fiscal years 2014, 2015, 2016 and 2017.

20.4 Legal and arbitration proceedings

Le Groupe La Poste is involved in a certain number of arbitration, legal or administrative proceedings during the normal course of its business activities. A provision is only recorded for the expenses that may result from these proceedings where they are likely and their amount may be either quantified, or estimated within a reasonable range. In the latter case, the amount of the provision corresponds to the Group Management's best estimate. The nature of these disputes is varied, and may occur in the Group's various subsidiaries.

Provisions for contingencies recorded for all the disputes in which the Group is involved amounted to €323 million as at 31 December 2018 (€365 million as at 31 December 2017). These provisions are shown under the balance sheet items "Non-current provisions for contingencies and losses" and "Current provisions for contingencies and losses".

In particular, the following two disputes, recorded in the provisions for contingencies and losses, should be mentioned:

- within the framework of an inquiry opened by the French Competition Authority (*Autorité de la concurrence*) in 2010 concerning the transport and courier sector in France, implicating several express delivery companies including Chronopost and Exapag (now DPD France), a statement of objections was sent on 30 June 2014. In a ruling dated 15 December 2015, the French Competition Authority fined Chronopost, and severally La Poste, €99,182,000 and fined DPD France €44,767,000, of which €43,315,000 severally with La Poste. The three companies appealed against this ruling before the Court of Appeal of Paris and the hearings took place in March 2017. On 19 July 2018 the Paris Court of Appeal granted an overall reduction of €7,838,000,

bringing the fine to an amount of €92,276,000 for Chronopost and €43,675,000 for DPD France. This reduction was related to a greater valuation by the Court of Appeal of the competition compliance programme implemented by Le Groupe La Poste in addition to taking into account a slightly reduced basis for the value of sales. An interim appeal has been lodged;

- on 21 December 2018, the Sanctions Commission of the French Prudential Supervision and Resolution Authority (ACPR) issued a reprimand and a €50 million financial penalty against La Banque Postale following a report on the Bank's Anti-Money Laundering and Terrorist Financing (AML-CFT) system. The report noted a shortcoming in the ex-ante control system of national postal orders, an activity that was terminated on 31 December 2017. La Banque Postale has decided to appeal against this decision to the French Council of State. The report also resulted in the opening of a preliminary investigation.

In addition, La Banque Postale remains involved in legal recourse, having appealed to the Court of Cassation on 22 January 2018, along with ten other banks involved, within the framework of the procedure opened by the French Competition Authority in 2010 against French banks for breach of competition law during the transition to dematerialised cheque processing.

To date, there are no other government, legal or arbitration proceedings – including any proceedings that are pending or threatened of which the Company is aware – that could have a material effect on the Group's financial position or profitability, or have had such an effect over the last 12 months.

20.5 Material change in the Company's financial or commercial position

None.



ADDITIONAL INFORMATION

21

21.1	Share capital	472
21.2	Memorandum of Association and Articles of Association	473

21.1 Share capital

21.1.1 AMOUNT OF ISSUED SHARE CAPITAL AS AT 31 DECEMBER 2018

As at 31 December 2018, the Company's share capital broke down as follows:

Number of fully paid-up shares issued:	950,000,000
Nominal value of the shares:	€4
Type of shares issued:	common shares
Issue premium of fully paid-up shares:	€2
Amount of the share capital:	€3,800,000,000 fully paid-up

21.1.2 SHARES NOT REPRESENTING SHARE CAPITAL

None.

21.1.3 SHARES HELD BY THE ISSUER OR ITS SUBSIDIARIES

None.

21.1.4 OTHER SECURITIES GIVING ACCESS TO SHARE CAPITAL

None.

21.1.5 TERMS OF ANY ACQUISITION RIGHTS AND/OR BONDS ATTACHED TO SUBSCRIBED BUT UNPAID SHARE CAPITAL

None.

21.1.6 INFORMATION ON THE SHARE CAPITAL OF ANY GROUP COMPANY SUBJECT TO AN OPTION OR CONDITIONAL OR UNCONDITIONAL AGREEMENT

There are no options or conditional or unconditional agreements to buy or sell the shares of Le Groupe La Poste subsidiaries.

21.1.7 HISTORY OF THE SHARE CAPITAL

Until its conversion to a public limited company, La Poste – as an industrial/commercial public entity – had no share capital.

On 1 March 2010, the day the Group's status changed to a public limited company, its share capital was set at €1 billion divided up into 500 million ordinary shares with a nominal value of €2 per share.

The share capital was then increased in 2011 by the Extraordinary General Meeting of 6 April 2011, through an increase in the nominal value per share and the capitalisation of €1 billion in reserves, bringing the share capital to €2 billion divided into 500 million ordinary shares with a nominal value of €4 each.

A new capital increase was finally decided on 6 April 2011 for an amount of €2.7 billion (€1.8 billion in respect of nominal value and €0.9 billion for issue premiums) conducted in two stages:

- issue of 350 million shares with equity warrants: on 6 April 2011, the French State and Caisse des Dépôts subscribed to

350 million shares with equity warrants (*Actions à Bons de Souscription d'Actions*) for 44% (155,555,556 shares) and 56% (194,444,444 shares) respectively. The amount of the issue of €2.1 billion, of which €1.4 billion was for the nominal value and €0.7 billion for the issue premium, was freed up in two phases: a first tranche of €1,050,000,000 on 6 April 2011 and a second one of €1,050,000,000 on 11 May 2012;

- exercise of the equity warrants: on 15 April 2013, the 350 million equity warrants attached to the shares were exercised, resulting in 100 million new shares being issued with the French State subscribing 44% of them and Caisse des Dépôts acquiring the other 56%, for a value of €6 (of which the issue premium of €2). The total amount of the subscription was €600 million for a nominal amount of €400 million, coupled with an issue premium of €200 million, and was fully paid-up at the time of subscription.

21.1.8 PLEDGING OF COMPANY SECURITIES

To La Poste's knowledge, none of the ordinary shares making up the share capital is included in any pledge.

21.2 Memorandum of Association and Articles of Association

21.2.1 CORPORATE PURPOSE

The Company fulfils a public service mission and general interest role and conducts other business in accordance with law No. 90-568 of 2 July 1990, its Articles of Association and legislation governing each of its business activities.

The public service mission and general interest role include:

- universal postal service;
- contribution to regional planning and development through its network of retail outlets;
- press transport and delivery;
- banking accessibility under the terms set out in Articles L. 221-2 and L. 518-25-1 of the French Monetary and Financial Code.

In accordance with standard rules of ordinary law, the Company collects, sorts, transports and delivers all kinds of mail, parcels and goods.

The Company is authorised – in France and abroad, independently or through subsidiaries or associated companies – to conduct any business that directly or indirectly relates to its legally defined obligations and business activities, as well as any other business covered by its Articles of Association.

This includes any kind of involvement in any operations or business relating to any of the aforementioned objectives or likely to increase the value of the Company's assets through the creation of new enterprises, the contribution, subscription or purchase of any kind of shares, rights, interests or equity investments in any existing or future company or enterprise, mergers, partnerships or any other association, and more generally the execution of any commercial, industrial, technical, financial, service, real estate or securities transaction – on behalf of third parties, on a proprietary basis or as part of a joint venture – directly or indirectly, in whole or in part, relating to any of the aforementioned objectives, any similar, complementary or connected objectives, or any objectives likely to contribute towards the Company's business development.

21.2.2 MANAGEMENT BODIES

The Company is administered by a Board of Directors, membership of which complies with the provisions of Article 10 of the law of 2 July 1990 and Title II of the Order of 20 August 2014.

The Board of Directors includes 21 members. It is comprised as follows:

- for one third, employee representatives elected in accordance with the provisions stipulated in Chapter II of Title II of law No. 83-675 of 26 July 1983;
- for two thirds, representatives appointed by the General Shareholders' Meeting so as to ensure that the shareholders are represented in a manner reflecting their shareholding and enabling them to hold together the majority of voting rights on the Board of Directors, subject to there being a representative of the municipalities and their groups and a users' representative who can be appointed by decree.

The term of office for the Board of Directors' members is five years. The end of all Company Board members' terms of office coincides with those of the Board members representing staff on the Board of Directors.

As an exception to the provisions of Article 13 of the Articles of Association, the term of office for directors appointed on 21 December 2015 were set at five years and one month.

Should a member of the Board of Directors leave office for any reason, a replacement will sit only for the remainder of the term of office until the entire Board of Directors is reappointed.

The terms of office of Board members who are not appointed by the General Shareholders' Meeting are free. The General Shareholders' Meeting determines the amount of any directors' fees to be paid, if appropriate, to the other Board members.

The Company reimburses any costs that Board members may incur in the course of their term of office upon production of receipts.

Staff representatives are allowed to spend half of their working week on Board matters.

The General Shareholders' Meeting may remove any Board member it appoints.

Should one or more seats of Board members elected by the General Shareholders' Meeting fall vacant through death or resignation, the Board of Directors may make temporary appointments between two General Shareholders' Meetings. These appointments must be ratified at the closest Ordinary General Meeting. If this ratification is not forthcoming, the decisions and actions previously taken by the Board will still be valid.

The Chairman of the Company's Board of Directors is appointed from among the Board members by decree, following a proposal by the Board of Directors. The Chairman's term may not exceed their term of office as a Board member. These terms may be renewed under the same conditions. They may also be terminated by decree.

The Chairman of the Board of Directors also serves as Chief Executive Officer of the Company. He holds the title of Chairman and Chief Executive Officer.

No person may be appointed Chairman of the Board of Directors or Chief Executive Officer if aged 68 or over on the date of the appointment. If the incumbent Chairman of the Board of Directors or the Chief Executive Officer reaches the age of 68, his duties will end after the first General Shareholders' Meeting held after his 68th birthday.

At the suggestion of the Chairman and Chief Executive Officer, the Board of Directors may appoint one or more individuals to the supporting position of executive officer. There can be a maximum of five executive officers. The Board of Directors determines the duration of the term of office, the compensation and any limits on the powers of each executive officer.

If the Chairman and Chief Executive Officer terminates or is prevented from performing his/her duties, the executive officers retain their positions and duties until the appointment of the new Chairman and Chief Executive Officer, unless the Board decides otherwise.

21.2.3 RIGHTS ATTACHED TO SHARES

Each share grants a right to the profits and Company assets in proportion to the percentage of the share capital that it represents. It also confers the right to vote and be represented at General Shareholders' Meetings under normal legal conditions. Each share confers a right to information and communication as provided for in Articles L. 225-115 *et seq.* of the French Commercial Code. Ownership of a share automatically implies compliance with the Articles of Association and the decisions of the General Shareholders' Meeting.

Shareholders' losses are limited to their investments.

Heirs, creditors, assignees or other representatives of a shareholder may not require the sealing of the Company's property

or securities, nor request a division or sale, nor interfere in the work of the directors. To exercise their rights, they must refer to the statements of Company assets and liabilities and the decisions of the General Shareholders' Meeting.

Whenever ownership of more than one share is necessary to exercise any right, in the event of an exchange, consolidation or grant of shares, or as a result of a capital increase or reduction, merger or any other corporate transaction, owners of single shares or a number lower than the required amount may exercise this right only if acting on behalf of a group or by buying or selling the necessary amount of shares.

La Poste has issued only one category of shares.

21.2.4 ACTIONS REQUIRED TO CHANGE THE RIGHTS OF SHAREHOLDERS

Only the Extraordinary General Meeting is authorised to amend any of the provisions of the Articles of Association. However, it may not increase shareholders' commitments, except through transactions resulting from a lawful grouping of shares.

La Poste has issued only one category of shares.

21.2.5 GENERAL SHAREHOLDERS' MEETINGS

21.2.5.1 Access to, participation in and voting at General Shareholders' Meetings

Upon proof of identity and share ownership, all shareholders have the right to attend General Shareholders' Meetings and take part in discussions under the applicable legal and regulatory conditions.

Shareholders may authorise their spouse or another shareholder to represent them at a General Shareholders' Meeting. They may also vote by post under the conditions as provided for by law. The Company must receive the voting form no later than three days before the date of the General Shareholders' Meeting.

The authorisations and forms to vote by post may be sent electronically if signed in accordance with the applicable legal and regulatory provisions.

21.2.5.2 Notification of General Shareholders' Meetings

General Shareholders' Meetings are called by the Board of Directors or, failing this, the Statutory Auditors, or any authorised person in accordance with the applicable laws and regulations. They are held at the registered office or any other place shown in the Notice.

They may be held by videoconference or other means of telecommunication that enable shareholders to be identified in accordance with the applicable legal and regulatory provisions. In such case, individuals using these means are deemed present when calculating the quorum and majority of shareholders.

The Notice is sent at least two weeks before the date of the meeting. If the meeting cannot be held with the necessary quorum, a second meeting, and if necessary, an extension to the second meeting will be called with at least 10 days' notice, under the same conditions as the first.

21.2.5.3 Agenda and conduct of General Shareholders' Meetings

The agenda appears on the Notice of the meeting and is approved by the person convening the meeting. The meeting may only transact business shown on the agenda.

An attendance register is kept at each meeting, containing all legally required information.

Meetings are chaired by the Chairman and Chief Executive Officer or, in his absence, a director authorised to do so by the Board. Failing this, the shareholders elect their own Chairman.

The positions of scrutineer are held by the two members of the meeting, present and accepting the role, who personally or as proxies receive the highest number of votes.

The Committee, comprising the Chairman and two scrutineers, appoints the secretary who does not have to be a shareholder.

The role of Committee members is to check, certify and sign the attendance register, ensure debates run smoothly, rule on any incidents, supervise voting and ensure voting is lawful, and draw up the minutes.

The minutes are produced and copies of decisions are certified and issued in accordance with law.

21.2.5.4 Ordinary General Meeting

The Ordinary General Meeting is called to make all decisions that do not alter the Articles of Association. It is held at least once a year, within six months of each fiscal year-end, to approve the annual financial statements. A legal ruling may grant an extension to this deadline.

When first called, its decisions will only be valid if those shareholders present or represented, or having voted by post, hold at least one fifth of the shares to which voting rights are attached. If a second meeting is held, no quorum is required. Decisions are made on the basis of a majority of votes cast by those shareholders present, represented or having voted by post.

21.2.5.5 Extraordinary General Meeting

Only the Extraordinary General Meeting is authorised to amend any of the provisions of the Articles of Association. However, it may not increase shareholders' commitments, except through transactions resulting from a lawful grouping of shares.

Subject to any legal provisions to the contrary, decisions will only be valid if those shareholders present or represented, or having

voted by letter post, hold at least one-quarter of the shares to which voting rights are attached at the first meeting, or one-fifth at the second. If the latter is inquorate, the second meeting may be adjourned for up to two months from the date when it was convened.

Subject to any legal provisions to the contrary, decisions require a two-thirds majority of votes cast by those shareholders present, represented or having voted by letter post.

21.2.6 PROVISIONS THAT COULD DELAY OR PREVENT A CHANGE OF CONTROL

In accordance with the provisions of the aforementioned Article 1-2 of the law of 2 July 1990, the share capital is held by the French State – the majority shareholder – and other publicly owned legal entities, with the exception of the percentage of the share capital that may be held by staff under the conditions set out in the same law.

21.2.7 PROVISIONS SETTING THE THRESHOLD ABOVE WHICH ALL EQUITY INVESTMENTS MUST BE DISCLOSED

None.

21.2.8 CONDITIONS GOVERNING CHANGES IN SHARE CAPITAL

The share capital may be increased, reduced or written down under the conditions set forth by law.



MATERIAL CONTRACTS

22

22 MATERIAL CONTRACTS

To La Poste's knowledge, there are no material contracts other than those agreed in the normal course of business, presented in Chapter 5 which describes the Group's activities.



23

THIRD-PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST

23 THIRD-PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INTEREST

None.



**PUBLICLY
AVAILABLE
DOCUMENTS**

24

24 PUBLICLY AVAILABLE DOCUMENTS

All documents made available to the public under normal legal conditions may be obtained from Le Groupe La Poste's headquarters at 9, rue du Colonel-Pierre-Avia 75015 Paris.

The Articles of Association of Le Groupe La Poste are available on its website: www.groupelaposte.com via the search bar.

Le Groupe La Poste's consolidated financial statements pertaining to the last ten fiscal years are also available on the website ("Our financial information", section "Publications").



INFORMATION ON EQUITY INVESTMENTS

25

25 INFORMATION ON EQUITY INVESTMENTS

Le Groupe La Poste does not have any non-consolidated equity investments likely to have a material impact on the appraisal of its assets and liabilities, financial position or operating results. The main non-consolidated equity investments are presented in Note 19 to the consolidated financial statements ("Other financial assets").

Equity investments in consolidated companies are shown in Chapter 6, "Simplified organisation chart", and in Note 42 to the consolidated financial statements regarding the scope of consolidation.



APPENDICES

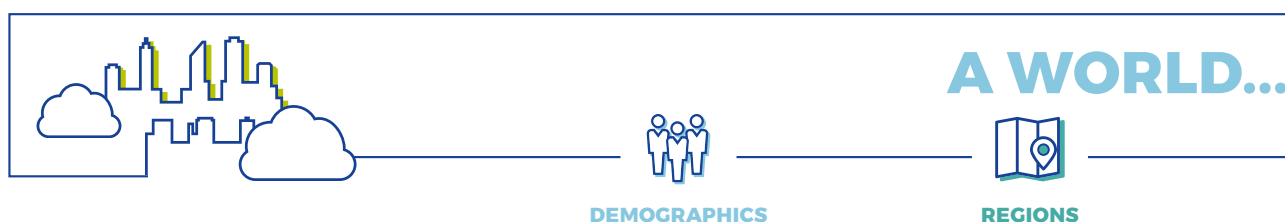
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A1 Le Groupe La Poste statement on non-financial performance

This document sets out Le Groupe La Poste's response to the information required pursuant to Decree No. 2017-1265 of 9 August 2017 implementing Order No. 2017-1180 of 19 July 2017 on the publication of non-financial information by certain major companies and groups.

LE GROUPE LA POSTE IS CHANGING



OUR RESOURCES

HUMAN RESOURCES⁽¹⁾

251,219 employees
including 37,094 abroad
160 roles⁽²⁾

INDUSTRIAL CAPITAL

11,983 buildings,
94,694 vehicles⁽³⁾,
Around 700,000
IT equipment items⁽⁴⁾,
logistics network, digital infrastructures

SOCIAL AND RELATIONAL CAPITAL

Proximity
17,238 retail outlets
40,000 pick-up and drop-off points
in Europe⁽⁵⁾

FINANCIAL CAPITAL

100% public capital
€12 billion in equity
€24.7 billion in revenue
of which 27% internationally

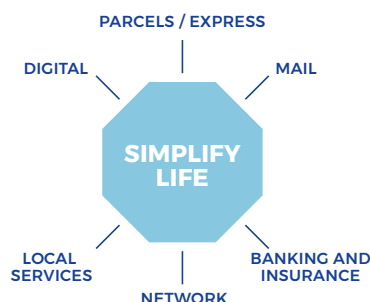
NATURAL CAPITAL

100% renewable electricity
One of the world's largest electric
vehicle fleets
16,260 electric vehicles,
24% of the fleet excluding bicycles
and trolleys

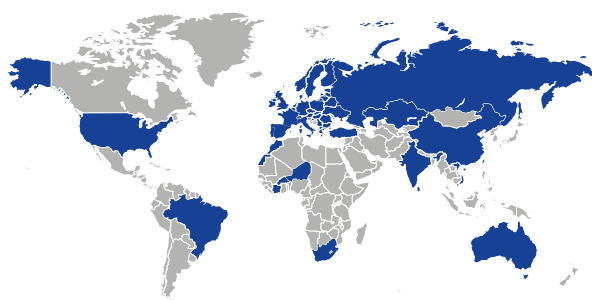
INTELLECTUAL CAPITAL

Trusted image
Innovation

A MULTI-BUSINESS MODEL



INTERNATIONAL DEVELOPMENT



4 PUBLIC SERVICE MISSIONS

- UNIVERSAL POSTAL SERVICE
- PRESS TRANSPORT AND DELIVERY
- REGIONAL PLANNING
- BANKING ACCESSIBILITY

The data presented in the above business model are, unless specified otherwise, within Le Groupe La Poste's scope.

(1) Average Group headcount in full-time equivalents.

(2) La Poste advertising campaign (September 2018): "160 roles to make life easier".

(3) Fleet owned or managed directly by the Group (i.e. two-wheeled vehicles [incl. bicycles and electric bicycles], three-wheeled vehicles [Staby], quads and four-wheeled vehicles [cars, vans and trucks]).

1) LE GROUPE LA POSTE BUSINESS MODEL

Le Groupe La Poste aims to make life easier for everyone, everywhere and every day. Corporate social responsibility is at the very heart of the business model of La Poste, which is a major multi-business services group, with a firm footing in the regions. The business model presented below has been established in

accordance with the International Integrated Reporting Council (IIRC) guidelines and the regulatory requirements of the statement of non-financial performance, after having been constructed and shared internally and validated at the highest levels of the Group.

IN TRANSITION



ENVIRONMENT



ETHICS & VALUES



DIGITAL



GROWTH WAVES

- E COMMERCE
- URBAN LOGISTICS
- MODERNISATION OF PUBLIC SERVICE ACTIVITIES
- TRUSTED DIGITAL PARTNER
- SILVER ECONOMY & HEALTH
- ENERGY TRANSITION
- CHANGE IN THE BANKING INDUSTRY

LA POSTE 2020 CONQUERING THE FUTURE

Diversify the portfolio of activities to desensitise the Group by limiting the share of traditional mail in the revenue to 20%

- ACCELERATING BUSINESS DEVELOPMENT AND CONQUERING NEW MARKETS
- IMPROVING COMPETITIVENESS BY PRESERVING THE LABOUR-MANAGEMENT AGREEMENT
- FIVE COMMON PRIORITY PROGRAMMES STRENGTHENING THE SYNERGIES BETWEEN THE BUSINESS UNITS

THE GROUP'S SOCIETAL COMMITMENT

- SOCIAL AND REGIONAL COHESION
- ENVIRONMENTAL TRANSITIONS
- ETHICAL AND RESPONSIBLE DIGITAL SERVICES

OUR IMPACTS FOR THE PLANET

GHG emissions **-20%**

Product and service offer **100% offset**

Waste recycling and reuse **85,000 metric tonnes**

FOR THE TERRITORIES

More than 13.5 million households visited per day

95.7% of the population within 5 km or 20 minutes of a retail outlet

FOR OUR CUSTOMERS

Faithful and satisfied (NPS)

94.8% of "Lettre Verte" (green mail) delivered within two days

Balances of less than €150 for **51%** of Livret A passbook savings accounts

FOR OUR EMPLOYEES⁽⁶⁾

93% on permanent contracts

50% of executives are women

80% of employees trained in 2018

13 national agreements in 2018

FOR OUR SUPPLIERS

80% of suppliers are SMEs

FOR OUR SHAREHOLDERS AND INVESTORS

€171 million in dividends

Issuance of a **green bond**

(4) Equipment including screens, computers, ancillary equipment, printing systems, tablets, telephones.

(5) Pickup points in Europe.

(6) Scope: La Poste parent company (permanent contract: weighting of employees on permanent contracts; proportion of women in management; proportion of employees who took at least one training course during the year).

2) LE GROUPE LA POSTE'S NON-FINANCIAL RISKS

Most of the non-financial risks presented in this document were highlighted in Le Groupe La Poste's mapping of major risks⁽¹⁾. The risks have been identified and assessed, and the associated management plans have been drawn up as a result of work carried out within each business unit, subsidiary and business activity, interviews with the Group's main senior executives and constant monitoring within the various departments and specialist bodies (HR, security, legal, information systems, CSR, etc.).

For major risks, the results of this work are examined each year by the Executive Committee, which approves them. These results are then put before the Audit Committee of the Board of Directors, and a summary is submitted to the Board of Directors.

Among the major risks identified by the Group is that arising from a failure to adapt to environmental and societal issues. The relevant policies in this respect are described throughout this document.

This identification and assessment work has resulted in a list of major non-financial risks generated by the business activities of Le Groupe La Poste. These are:

- risks linked to health and safety at work;
- risks linked to the need to adapt jobs and skills to the Group's transformation priorities;

- risks linked to the legal compliance of the Group's practices as regards prevention of corruption;
- risks linked to the legal compliance of the Group's practices as regards personal data protection;
- risk of customer dissatisfaction;
- risks relating to environmental transition.

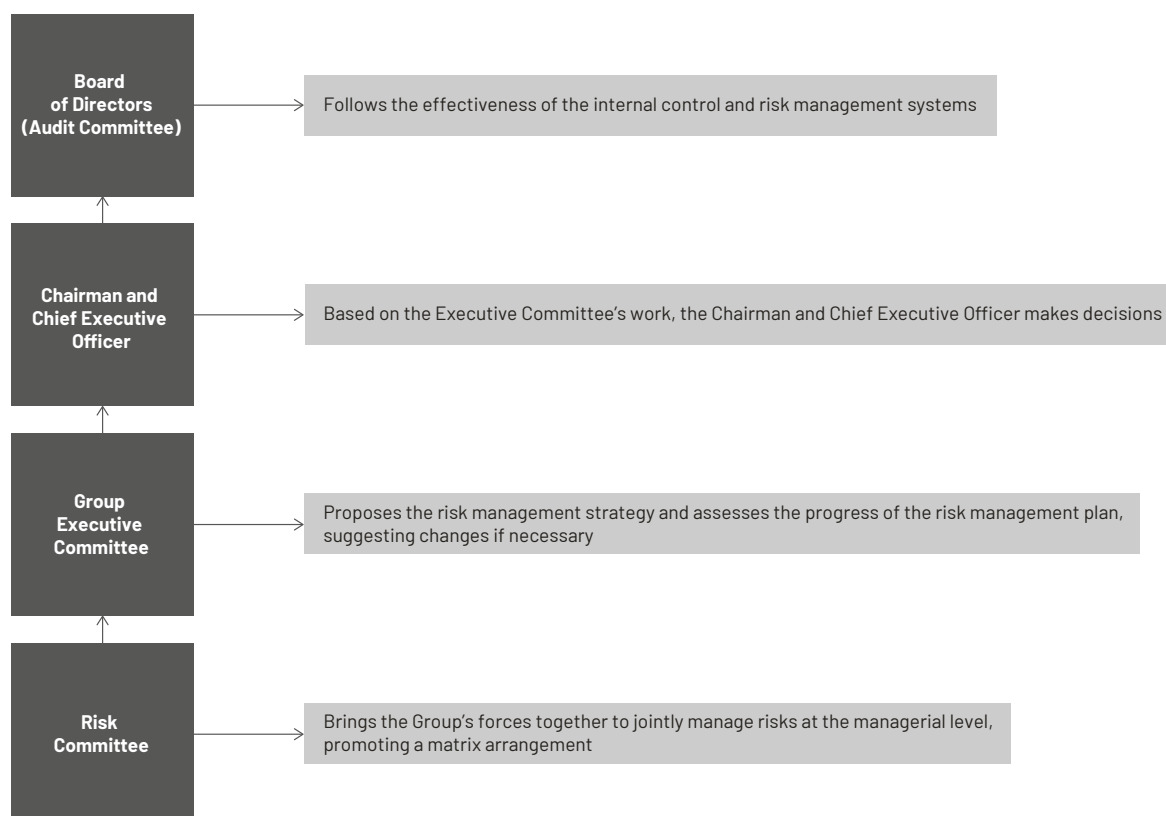
In accordance with Article 225-102-1 of the French Commercial Code, the statement on non-financial performance sets out the following for each major risk: the description of the risk, the policies and measures put in place to prevent that risk, and the results obtained (see the following section).

This same information is also provided for the following risks, even though they have not been identified as major risks for Le Groupe La Poste (see the following section):

- risks linked to failure to respect human rights;
- risks linked to tax evasion.

Finally, information about Le Groupe La Poste's societal commitments to sustainable development (which contribute to the Group's non-financial performance but do not represent major CSR risks) can be found in Section 3 of the statement on non-financial performance.

The risk management governance is shown in the following diagram:



(1) The Group's major risks include risks likely to endanger the strategy of Le Groupe La Poste or its public service missions, whether these be of a strategic or operational nature. They may be common to several business lines or apply specifically to one of the Group's business lines in particular.

a) Risks and policies implemented regarding social and societal issues

Risks linked to health and safety at work

Main risks

As a company which relies heavily on a workforce, La Poste is affected by occupational risks linked to:

- the nature of its business activities: some physically demanding jobs, handling risks, road risks, risk of falls;
- the Group's transformation: risks relating to the quality of life at work;
- relations with its customers: insults, stress, assaults;
- its business model: health and safety risks borne by staff of companies to which Le Groupe La Poste subcontracts work;
- changes to its age pyramid.

Policies and measures in place to prevent, identify and mitigate these risks

A raft of measures are in place, within the framework of the five focus areas of the *Bien dans son travail* (Feeling Good at Work) programme, which was implemented at the end of 2016 to promote employee health: policy to prevent occupational health problems, greater support for employees subject to aggressive or rude behaviour, encouraging all team members to express themselves, adapting career paths to the abilities of each employee, and special monitoring of employees who have been absent for long periods. More precisely:

Preventing accidents at work and musculoskeletal disorders:

- training for managers and staff in reducing handling risks and ergonomic movements;
- the introduction of new working equipment which reduces risk (e.g. three-wheeled vehicles and adapted "prévilôt" furniture so that work stations can be used standing up or sitting);
- continued driving accrediting systems for all employees who drive as part of their job;
- an adapted part-time working option for older employees;
- additional rest days being granted to older employees working in physically-demanding positions.

Supporting the transformation and improvement of the quality of life at work:

- the deployment of over 1,000 local HR managers;

- improved workplaces;
- shared rules in the event of a change in organisation, favouring social dialogue;
- training on management fundamentals and on assessing and preventing psycho-social risks;
- a system to prevent and handle situations involving psychological and sexual harassment;
- a personal assistance and psychological support hotline.

As regards customer reception and behaviour management, the POLI plan involves a set of initiatives to reduce the amount of rude and aggressive behaviour encountered by employees in the course of their work at the most severely affected post offices:

- group training and prevention actions to manage rude and aggressive behaviour;
- customer reception initiatives – creation of customer service manager reception positions;
- support for employees who have encountered rude or aggressive behaviour, with incidents being reported by the Company.

Finally, individual, personalised support is available to employees before, during and after long periods of absence.

Preventing health and safety risks faced by subcontractors:

La Poste is also working to bolster its due diligence by involving its suppliers and subcontractors in protecting the health and safety of their own personnel. In particular, La Poste has identified highly labour-intensive sectors in the same way as service providers, such as last mile delivery, transport, cleaning, trades. The tools used to do this include:

- management of the contractual relationship;
- implementation of the Responsible Purchasing Charter;
- subcontractors audit programme;
- improved health and safety vigilance for subcontractors working at La Poste locations.

Examples include:

- the purchasing department uses the PROVIGIS online application as a collection and accuracy verification system (URSSAF certificate, valid insurance certificate, etc.) and to check the validity of the supplier's regulatory information (up-to-date statement of seconded workers, up-to-date URSSAF certificate, etc.);
- last mile delivery providers receive a regulatory kit on the scope of their contractual activity with La Poste.

Due diligence on suppliers and subcontractors was improved in 2018 with the introduction of a platform which suppliers can use to assess their own compliance with regulations and standards. The self-assessment guidelines, developed specifically for the

Le Groupe La Poste supply chain include: sustainable development (ISO 26000), environment (ISO 14001), occupational health and safety (ISO 45001), preventing corruption (ISO 37001) and responsible purchasing (ISO 20400).

The Group also plans to roll out a supplier audit programme within the delivery segment. Le Groupe La Poste has scheduled a series of yearly audits starting in 2019; these will be carried out by AFNOR (the French certification authority).

Results

In 2018, a number of key indicators saw improvements, notably regarding the frequency and severity rate of accidents at work within Le Groupe La Poste.

	Le Groupe La Poste ⁽¹⁾	
	2017	2018
Number of days of absence due to work or commuting accidents or occupational illness ⁽²⁾	795,800	783,949
Frequency of accidents at work with time off ⁽³⁾	27.55	25.05
Severity of accidents at work with time off ⁽⁴⁾	1.50	1.47

(1) Includes the La Poste parent company and the Group's subsidiaries in France, excluding international subsidiaries.

(2) This indicator is calculated based on the number of individuals employed (excluding temporary contracts). The days of absence are counted in calendar days.

(3) For the La Poste parent company, the following are included: civil servants, permanent contracts, temporary contracts (excluding training contracts). Number of accidents at work with time off (excluding commuting) per million hours worked. The hours worked are calculated on the basis of the average workforce multiplied by the number of hours worked per annum. New calculation method for the frequency rate (starting in 2017), which is calculated as at 31 December, with one month consolidation, and taking into account all of the contracts (excluding interns).

(4) For the La Poste parent company, the following are included: civil servants, permanent contracts, temporary contracts (excluding training contracts). Number of days off due to accidents at work (excluding commuting) per thousand hours worked. The days lost for accidents at work are counted in calendar days. "The number of accidents at work with time off as well as the number of days off due to accidents were taken from the HR management systems on 31 December."

Risks linked to employment and skills

Main risks

Confronted with heightened competition in its business activities and major changes affecting its business lines (digitisation of business activities, growth in e-commerce, development of new local services in response to the drop in mail volumes, new banking products), one of the main risks identified by Le Groupe La Poste is a gap between the skills available and those necessary to bring about this transformation.

Policies and measures in place to prevent, identify and mitigate these risks

Training and professional development are part of the four major focus areas set out in *The Pacte Social (Social Pact)*, the labour management component of the strategic plan, which was unveiled in 2014. A range of specific measures are in place to ensure a good fit between the skills available and those required for the Group's transformation with its over 250,000 employees:

- the introduction of a highly ambitious training policy to future-proof the skills of staff and support functions (50,000 qualifying

training paths rolled out by the end of 2020). One of these is a Group training programme in digital skills for all employees;

- easier career changes and increased mobility within the Group, including: an up-to-date job board with many opportunities, accessible to all on the intranet and Internet; a specific professional development website; a jobs, skills and qualifications observatory to improve the forward-looking management of jobs and skills; effective internal mobility rules; twelve Group Mobility and Recruitment Spaces across France;
- easier external mobility: a legal arrangement for the secondment and integration of personnel within the three civil service divisions, an active policy to support employees' entrepreneurship projects, and support for employees who wish to work in the social and solidarity-based economy;
- close involvement of line management in identifying the skills development needs of employees, and support for career aspirations with: the option for all employees to have an individual meeting with their supervisor every year (these meetings are obligatory every two years pursuant to the law of 5 March 2014 on workplace training), the launch of a project in which managers assess skills during the annual performance review meetings against the skill profiles needed by the business lines.

Results

	Le Groupe La Poste ⁽¹⁾	
	2017	2018
Total number of training hours ⁽²⁾	4,808,464	4,904,426
Proportion of employees who took at least one training course during the year	84%	80.4%
Training expenditures as a percentage of payroll ⁽³⁾	3.84%	4.19%
Number of qualifying training paths rolled out (total since 2015)	28,000	37,000
Number of employees who have changed jobs (internally)	23,800	22,825

(1) Includes the La Poste parent company and the Group's subsidiaries in France, excluding international subsidiaries.

(2) Total number of internal or external training hours attended by all staff (total workforce present during the year, including work-study contracts). Training hours under study leave (CIF, CFP) or accreditation of prior learning (VAE) and skills audits are not taken into account as training actions. Courses are taken into account for the year in which they are completed.

(3) Increase due to increased training time per employee and the creation of the Institute of Development, targeting support functions, mainly senior executives and managers.

The policy in place at La Poste is also to ensure that its efforts to improve the health and safety of employees, and to support transformations and professional development, are fully shared with the trade unions. With this in mind, La Poste signed agreements on support for business line reorganisations and/or changes in 2018:

- the agreement of 20 April on the social support arrangements for the creation of the Village La Poste Paris;
- the DAST 2020 (support and territorial backup departments) agreement of 3 May on support measures and guarantees for employees of the DASTs;
- the *Ensemble vers le monde des services* (Together towards a service-oriented world) agreement of 14 June which contains support, training and financial measures for employees of the Services-Mail-Parcels business unit affected by territorial reorganisation;
- the national Network agreement of 20 June on social priority offices on the planned measures for staff of post offices located in deprived areas;
- the DRIC (regional and industrial mail head office) agreement of 8 October on training paths for team members, managers and executives of DRIC and CTC (mail processing platform) establishments on Corsica and in the French overseas departments.

In 2018, La Poste also signed the following agreements for the purpose of making specific improvements to the working conditions of its employees:

- the Teleworking agreement of 27 July;
- the Caregivers agreement of 18 September;
- the amendment of 25 June which extends the Workplace gender equality agreement of June 2015.

The combination of the Group's public service obligations, strong competitive pressures on all of its business lines (particularly on Express and Banking services), and indispensable operational reorganisations as a result of its transformation programme make the quality equation more complex.

The risk of failing to meet customer expectations is analysed and processed by each business unit according to the specific nature of its activities. However, this risk has potential consequences on the revenue and overall image of Le Groupe La Poste.

Policies and measures in place to prevent, identify and mitigate these risks

Customer dissatisfaction is a priority concern for the Group's business units, which have integrated it into their strategic plans.

The measures implemented include (but are not limited to) the following:

- improving the way in which customer complaints are dealt with and improving the application across the Network of lessons learnt as a result of complaints;
- improving the accessibility of banking products and services and providing more reception staff at post offices;
- developing both customer and employee assistance hotlines;
- revisiting key "customer experiences";
- building a "customer" approach into support function roles;
- use of customer satisfaction monitoring by local teams to continuously improve services (satisfaction levels and complaints monitored following each delivery round);
- oversight of the commitments made with the French postal regulator (Arcep) on the traditional products and services.

Risk of customer dissatisfaction

The quality of service perceived by customers is of crucial importance to La Poste.

Results

Although the risk factors affecting customer satisfaction remain the same as in 2017, the perceived quality of the mail, parcel and express business continues to improve.

As regards banking, the Network and the Bank are continuing their combined efforts to know customers better, and improve the way customers are welcomed and cared for.

Customer satisfaction indicators, especially the results of surveys on customers leaving a post office, the NPS and recommendation rates for parcel and mail services are now included on the Chairman's roadmap.

	2017	2018
Overall Network user satisfaction ^(a)	95%	95%

(a) Surveyed by Ipsos immediately after using the service.

Yearly pan-European survey on the quality of express activities.

Results

The measures which Le Groupe La Poste has introduced enable it to work towards a robust data protection procedure.

	2017	2018
Staff trained in the protection of personal data (<i>number</i>)	360	4,900
Digital vaults (<i>number in millions</i>)	2.2	3.0
Tablets installed in post offices (<i>number</i>)	5,300	7,800

b) Environmental risks and policies implemented

Risks linked to the energy transition

Le Groupe La Poste combines climate change risks and local atmospheric pollutant emissions risks under the heading "Risks linked to the energy transition". These risks are directly linked to elements of the Group's activity which use energy (buildings, fleet of vehicles) and raw materials (paper, cardboard), and which emit greenhouse gases and atmospheric pollutants. Risks of failure to comply with the many rapid changes in environmental legislation also come under this heading.

The risks linked to the energy transition threaten the sustainability of the Group's business model and can be reflected, first, in the phase of reducing emissions, by increased costs, reputational damage and loss of financing opportunity, and second, in the phase of adaptation to climate change, by interruptions to or even the impossibility of providing services, loss of revenue and impairment of assets.

Risks linked to the legal compliance of the Group's personal data protection practices

For Le Groupe La Poste, the main digital risk is not ensuring the security and confidentiality of employee, supplier, service provider and customer data (see Section 5.9.4.1).

Policies and measures in place to prevent, identify and mitigate these risks

Le Groupe La Poste has specific measures in place to respond to this risk:

- the oath-taking, committing all La Poste employees to respecting the integrity of the digital data entrusted to them;
- using customer data responsibly, with the introduction of the Group's Data Charter (comprising six ambitions), ongoing work to define indicators linked to its commitments, and developing ways to simplify personal administrative activities (Digiposte+);
- implementing the European data management regulation using a risk-based approach.

Policies and measures in place to prevent, identify and mitigate these risks

Le Groupe La Poste has drawn up a dual-faceted policy to contribute to the energy transition:

- make its own energy transition by reducing use and cutting emissions linked to its direct and indirect activities and;
- support the wider energy transition within society and use it to boost growth.

Concerning its own energy transition, the policy of Le Groupe La Poste in terms of reducing greenhouse gas (GHG) emissions focuses on four key areas:

- avoiding greenhouse gas emissions, by designing low-carbon products and services;
- measuring all GHG emissions linked to these activities, through effective monitoring and management at all relevant levels;

- reducing the carbon footprint of the Group's activities (transport, buildings, IT equipment);
- offsetting the remaining GHG emissions.

The policy to reduce emissions of local air pollutants is built around the same model with the exception of the offsetting part, which to date only exists for GHG emissions.

Recent measures implemented as part of this policy include:

- the introduction of an energy management system, with a first wave of ISO 50001 certification concerning 325 sites in 2019;
- the commitment entered into by Le Groupe La Poste (*via* the La Poste parent company, the Services-Mail-Parcels business unit, the GeoPost business unit, and La Banque Postale) to set out, by the end of 2019, a carbon trajectory up to 2025 certified by Science Based Targets;
- the issue of a Green Bond in November 2018, to finance investments in the energy transition;
- reducing the energy footprint of the real estate portfolio by incorporating environmental performance criteria into the Group's asset and real estate management policy, improving the energy performance of the existing portfolio, using 100% renewable electricity and developing renewable energies and becoming more self-sufficient;
- maintaining and renewing one of the world's largest fleets of low-GHG emissions vehicles;
- reducing the energy footprint of transport by: streamlining transport plans, sharing flows between the Group's business units, optimising loads and rolling out swapbodies on a large

scale, constantly improving the performance of the vehicle fleet, trialling alternative vehicles and introducing natural gas vehicles (NGVs), as well as including CSR criteria in calls for tenders for transport services;

- the Services-Mail-Parcels, Digital Services and GeoPost business units continue to offset their greenhouse gas emissions, under a programme launched back in 2012. This means that since 2012, 100% of their products and services are carbon offset with no additional cost to customers. In 2018, La Banque Postale decided to launch a carbon compensation programme across all its operating activities, head offices, financial centres, IT equipment and transport, including employee commutes;
- the introduction of in-house carbon project funds in the Group's various business units, to finance initiatives to reduce greenhouse gas emissions.

Le Groupe La Poste uses the expertise it has acquired to benefit the energy transition of French society and its development by offering services which promote the energy transition:

- SOBRE, an energy management service for commercial buildings used by companies, the public sector and local authorities;
- Action habitat, a service for local authorities to make the housing used by their employees more energy efficient, and DEPAR, a similar programme intended for households affected by fuel poverty;
- Bemobi, a range of ecomobility services (consultancy, fleet management and optimisation, behavioural training and collaborative ecomobility);
- new La Banque Postale products and services which finance the energy transition.

Results

	Le Groupe La Poste	
	2017	2018
Total energy consumption of Le Groupe La Poste (<i>in GWh</i>)	2,426	2,480
• <i>o/w transport</i>	1,098	1,079
• <i>o/w buildings</i>	1,328	1,401
Total GHG emissions of Le Groupe La Poste (<i>metric tonnes CO₂ equivalents</i>)	1,850,611	1,733,333
Distance travelled by the Le Groupe La Poste fleet (<i>billions of kilometres</i>)	1	1

c) Human rights risks and policies implemented

Risks relating to respect for human rights were not highlighted in the Group's mapping of major risks.

Most of the Group's operations take place in countries with democratic institutions and which have the resources necessary to enforce compliance with human rights and with the International Labour Organization's (ILO) basic principles. La Poste and its French subsidiaries are governed by French labour law, which protects human rights in accordance with the ILO's Fundamental Conventions. Under the auspices of the French Labour and Economy and Finance ministries, the labour inspectorate is responsible for verifying the correct application of labour law in France.

Since 2003, the Group has renewed each year its signature of the United Nations Global Compact, in which it commits to respect freedom of association and recognise the right to collective bargaining, help to eliminate all forms of forced and compulsory labour, work towards the effective abolition of child labour, and work to eliminate discrimination in respect of employment and occupation.

In 2017, GeoPost signed an agreement with UNI Global Union to confirm its commitment to upholding human rights and the rights of employee representatives, in accordance with the ILO conventions.

For more information, please consult the effectiveness review in Le Groupe La Poste's Duty of due diligence report in Appendix 2.

d) Corruption risks and anti-corruption policies implemented

Main risks

The size of Le Groupe La Poste and the diverse nature of its business activities expose it to the risk of not always being able to prevent practices linked to corruption. It is therefore exposed to operational risks, risks to its image and risks of non-compliance with anti-corruption regulations.

Policies and measures in place to prevent, identify and mitigate these risks

This is a major issue for La Poste, which wants to lead by example in this area.

Although the Group is a pioneer in this field, having implemented anti-corruption awareness and training initiatives since 2012, it was not until 2015 that it laid the structural elements of its process.

Results

	Le Groupe La Poste	
	2017	2018
Number of people trained in anti-corruption	283	2,400
Number of penalties as a result of corruption	-	-
Rate of trust in the Company to provide protection if the Group's early warning system is used (external survey)	74%	74

e) Tax evasion risks and policies implemented

Le Groupe La Poste strives to be a company for citizens by displaying transparency, responsibility and by cooperating

Since 2016, the Group has been working to complete its existing arrangements by way of a corruption prevention plan in accordance with the law on transparency, anti-corruption and modernisation of economic life, known as the Sapin II law.

Based on the individual commitment of the members of the La Poste Executive Committee, this plan includes a dedicated procedure with specific points to preventing corruption (purchasing clauses, declaration of conflicts of interest, prior audit procedures in the event of external growth, etc.) and focuses on three main principles: "zero tolerance", "everyone committed", "everyone vigilant". These three principles apply internally to the Group and all of its partners, particularly its tier one suppliers, as the Group takes a serious attitude to business ethics across all of its operations.

Therefore, La Poste periodically updates its corruption risk mapping for all of its business activities. These risks are diverse, due to the Group's number of entities and employees, and the fact that its operations span a number of different countries.

The Group's corruption prevention programme is based on a major information, awareness and training system aimed at both employees (training for line management, an Anti-Corruption Code of Conduct for employees, specific training for target populations, ethics day) and the Group's main suppliers (who receive a copy of the Group's Responsible Purchasing and Ethics Charter).

Since 2011, employees have had access to ethics warning systems, and La Poste has a network of anti-corruption officers. Protection is provided for whistle-blowers. A survey is conducted each year to monitor employee trust in this system.

In 2018, major diagnostic work, encompassing the head office and some business units, was begun on the corruption prevention and detection system, with the support of an outside firm.

The entire programme is assessed in-house each year by the Ethics Department, in conjunction with the Internal Control Department. To complete this system, La Poste plans to launch a raft of audits on its tier one suppliers as part of its due vigilance plan.

constructively with the tax authorities. Le Groupe La Poste is aware of its responsibility and is committed to paying its fair share of income tax in the countries in which it operates, in line with the laws and agreements in force. The Group recognises that fiscal risk management is an integral part of good governance. The Group does not expect a significant impact from the application of IFRIC23

("recognition and measurement of tax assets and liabilities"), which will be mandatory in 2019. The Group is committed to applying the

principles developed by the OECD on transfer pricing. As such, internal transactions are based on the arm's length principle.

3) INFORMATION ON SOCIETAL COMMITMENTS TO SUSTAINABLE DEVELOPMENT

Although two pillars of the Le Groupe La Poste societal engagement policy – "developing responsible and ethical digital services" and "achieving environmental transitions" – enable it to implement measures to manage some non-financial risks identified as major (see Section 2), they have primarily been defined to reflect the ambition of Le Groupe La Poste to play an active role in transforming society. The Group is developing a range of sustainable development initiatives. The ones most instrumental in the Group's non-financial performance and in bringing about positive change for society and the environment are presented briefly in the following paragraphs.

a) Le Groupe La Poste, actor of the social and regional cohesion

Le Groupe La Poste has put down deep roots right across the regions of France by virtue of the services it provides and the long reach of its bricks-and-mortar networks. Aware of its public service missions, the Group is increasing its support for public service activities, encouraging new business models and social innovation. Le Groupe La Poste also intends to capitalise on its status as a tier one ordering customer to encourage the growth of emerging sectors (renewable energies, eco-mobility, Silver economy, circular economy, etc.).

Boosting social cohesion through meaningful regional coverage

Le Groupe La Poste is leading the change towards increased social and regional cohesion thanks to its local presence:

- meaningful postal coverage throughout France by constantly adapting its forms of presence: designed in response to

customer needs, problems specific to the different types of region and changes to the business lines;

- support for the modernisation of public service activities by developing new products and services which capitalise on the Group's regional coverage and its long-standing awareness of the needs and expectations of residents;
- adding new local services, such as local services provided by postmen, home services available to all, etc.;
- enhancing regional appeal: through its products and services which respond to future societal concerns (Silver economy, renewable energy, ecomobility, etc.).

Le Groupe La Poste – a regional economic force

The role of Le Groupe La Poste as a regional economic force also enables it to facilitate social and regional cohesion:

- via its subsidiary, La Banque Postale, it is the leading provider of financing to local authorities. In 2018, it awarded €13.4 billion in financing to more than 3,287 local public sector actors: local authorities, social housing associations, public sector companies and health companies;
- an SME support strategy which takes various forms: 80% of the Group's suppliers are SMEs, allocation of contracts and simplification of the call for tenders response procedure, SME financing via equity investments in the professional specialist investment fund (FPS) which provides credit to SMEs.

Results

	Le Groupe La Poste	
	2017	2018
Proportion of the population which is less than 5 km or less than 20 minutes by car from a La Poste retail outlet	97.1%	97.5%
Revenue from New Services (in €m)	83.5	115
Number of candidates for the driving licence written test	768,604	835,324

b) The importance of subcontracting and factoring suppliers' and subcontractors' social and environmental responsibility into relations with them

The responsible purchasing policy

In 2018, Le Groupe La Poste worked on restructuring its responsible purchasing policy to ensure that it feeds in to the three pillars of its societal engagement policy. As a result, the ambitions of the responsible purchasing policy were revisited: "To maximise the positive impacts of the Group via its purchasing policy".

Le Groupe La Poste also altered the definition of a "responsible" purchase: compliance with regulations and with the Group's processes, economic and environmental performance, innovation.

Further, the business units continue to work on defining CSR criteria in their strategic purchasing categories. The Services-Mail-Parcels business unit has modified its CSR criteria in purchases of transport and delivery services. Calls for tenders for the purchase of delivery services now include a questionnaire on eco-driving training for drivers, the introduction of a traceability system for fuel consumption, the option to offer a fleet of vehicles which run on diesel alternatives (electric, NGV, hydrogen) and awareness of changes in legislation (in particular restrictions on access to urban centres for diesel/petrol vehicles) and the specific actions planned by service providers in response to these changes. The business

unit is also implementing a progress approach with delivery service providers.

Since 2018, Le Groupe La Poste has been setting up a process to assess and support suppliers and subcontractors in their CSR efforts. It is free of charge and available to all suppliers. The platform is based on guidelines drawn up by La Poste with AFNOR based on ISO 26000 (sustainable development), ISO 14001 (environmental management), ISO 45001 (occupational health), ISO 37001 (anti-corruption), ISO 20400 (responsible purchasing);

Incorporating suppliers' and subcontractors' social and environmental responsibility into relations with them

A set of rules are in place to ensure that ethics and basic purchasing rules are adhered to: a fair selection process, limitations on the risk of economic dependence, maintenance of the relationship and support for suppliers, adherence to payment terms.

The commitment to increase purchases from French suppliers (micro-businesses, SMEs, professional integration players, companies from the disabled and sheltered sector) is ongoing. Le Groupe La Poste is growing its direct purchases with these organisations as well as by drafting social clauses that are adapted to services and regions. An analysis by region of the purchases made from social and solidarity-based economy organisations is being conducted.

Results

	La Poste	
	2017	2018
Percentage of SME/VSEs among the suppliers	80%	80%
Purchasing volume ^(a) (in €m excl. tax)	3,616.6	3,783.0
Of which value of purchases from the disabled and sheltered sector (in €m excl. tax)	16.8	14.3
Of which value of purchases from the workforce reintegration sector (in €m excl. tax)	7.5	7.6

(a) Purchases include all goods and services purchased externally (machinery and equipment, transport and logistics, IT, general costs, etc.) reported as non-current assets or expenses.

c) Le Groupe La Poste, a stakeholder in the creation of responsible and ethical digital services

The Group aims to support societal transformation by fostering the ethical and responsible use of digital technology while reducing environmental impacts.

In terms of inclusion through digital, the Group initiatives include in particular:

- the accessibility of all of the Group's digital media;

- the enhanced access to digital services in postal outlets across France;
- the boosting actor of the inclusion through digital by introducing a banking inclusion plan using digital technology and the digital identity service.

The Group's initiatives to reduce the environmental impact of digital services include:

- assessing the greenhouse gas (GHG) emissions of the IT equipment base;
- reducing the carbon footprint from IT and digital equipment;
- taking an environmentally-friendly approach to software design.

d) Le Groupe La Poste – actor of the transition to the circular economy

Implementing the transition to the circular economy and supporting these changes within French society are key components of Le Groupe La Poste's environmental and growth strategy.

Concerning its own transition to the circular economy, Le Groupe La Poste is introducing many initiatives, such as:

- reusing postal resources (vehicles, furniture, postal real estate);

- managing waste (paper and cardboard, electric and electronic equipment waste, construction waste);

- an exemplary responsible paper policy.

Le Groupe La Poste is using the expertise it has acquired to benefit the transition to the circular economy of French society and its development by introducing circular economy products and services. For example, Recygo and Suez have pooled their expertise in the collection of different waste types and the collection of industrial waste, respectively. This joint venture has resulted in a combined service for the collection and recovery of office waste which meets the Company's needs in accordance with the "five flows" law. As regards paper waste, Recygo relies on its subsidiary Nouvelle Attitude and collected 6,719 tonnes in 2018.

Results

	La Poste	
	2017	2018
La Poste WEEE ⁽¹⁾ recovery rate	96%	94%
Disposals ⁽²⁾ of electrical and electronic equipment (<i>in metric tonnes</i>)	708	824
Paper consumption in metric tonnes (of which % of sustainable paper – from sustainably-managed forests, ecocertified or recycled)	20,896 (87.1%)	ND ⁽³⁾ (99%) ⁽⁴⁾
Revenue from the recycling activity ⁽⁵⁾ (<i>in €m</i>)	17.7	19

(1) WEEE: Waste electrical and electronic equipment, excluding donations and sales.

(2) Disposals: the disposal by the company of equipment that it can no longer use.

(3) Paper consumption data were not available at the date of publication. They will be updated later.

(4) The 2018 data are confined to La Poste's Purchasing Department (DAPO), which represents roughly 31% of the reported paper consumption, due to the unavailability of some data from some suppliers outside the Group. The data will be updated in coming years.

(5) Recycling and Reuse activities.

e) Le Groupe La Poste – taking a stand against discrimination

La Poste conducts an active policy to promote diversity and equal opportunities. This policy is confirmed at the highest level of the Company and has been rolled out, in particular, via a network of diversity officers in the regional structures.

As a signatory of the Charter for Diversity since 2006, the Group has a Code of Ethics and Internal Company Rules, which detail the commitments towards preventing discrimination.

In 2010, the Group introduced a Recruitment Charter, in which it makes a commitment to equal opportunities, considering all applications and showing objectivity and respect in the recruitment process.

Le Groupe La Poste has introduced specific initiatives to promote diversity:

Integration of disabled or less competent workers

La Poste has a proactive policy in place to promote the employment and career development of workers with disabilities and less

competent workers: a focus on keeping employees with disabilities in work, specific arrangements to secure a good work/life balance for employees affected by disability, increased accessibility of communication methods and applications, support for companies from the disabled and sheltered sector.

Gender equality

On 25 June 2018, La Poste signed an amendment to extend the agreement on workplace gender equality of June 2015. This agreement aims to promote gender-balanced recruitment and employment, ensure the same professional development opportunities for men and women, equal compensation, equal access to training, improve the work-life balance, make special provisions for parents and those affected by violence at home and in the workplace and to raise awareness and communicate with employees around these issues.

La Poste is a signatory of the following: the United Nations Global Compact and the CEO commitment to global gender equality, the Parenthood Charter, a framework agreement to increase female representation on governance bodies, signed in April 2013 with 16 other large groups and the French Ministry of Women's Rights.

Age and intergenerational management

La Poste has implemented an action plan for age management in order to encourage the integration, employability and development of both younger and older employees' skills.

Commitment to disadvantaged areas

As it operates throughout France, in 2008 La Poste signed the national commitment to youth employment in disadvantaged areas. It has made a commitment to include young people from disadvantaged areas in the workplace, *via* a dynamic recruitment policy and a range of partnerships.

Results

	Le Groupe La Poste ⁽¹⁾	
	2017	2018
Employment rate of employment obligation beneficiaries	6.42%	6.75%
Proportion of women on the Management Committee ⁽²⁾	30.1%	30.4%
Gender pay gap	-5.1%	-5.2%

(1) Includes the La Poste parent company and the Group's subsidiaries in France, excluding international subsidiaries.

(2) The members of the Management Committee hold strategic positions within La Poste and its French subsidiaries, as defined by the Group's Executive Committee.

4) OTHER CORPORATE SOCIAL RESPONSIBILITY INFORMATION

Le Groupe La Poste provides a summary below of the information relating to the corporate and environmental consequences of the business and the sustainable development commitments it has entered into, expected in the statement on non-financial performance or previously published in its registration document, pursuant to Articles L. 225-102-1 and R. 225-105-1 of the French Commercial Code.

a) Preventing food waste

The cafeteria offering, which includes cafeterias and cafeteria vouchers, affects an average of 97,000 recipients per day.

Cafeteria service standard operating procedures include CSR requirements, particularly with regard to preventing food waste and sorting refuse. Processes and methods have been implemented to prevent daily food loss, and raise awareness among kitchen teams.

Sorting of food waste is gradually being introduced within the Group.

La Poste has 450 company restaurants, 50 of which are managed by associations and 73 under concessions to Elicor Entreprises. In 2018, a focus was placed on the fight against food waste, after a successful experiment in 2017.

In 2018, as part of the European Week for Waste Reduction, the service provider Elicor led an awareness-raising campaign for all canteen users and teams, in the form of a competition and a 100% anti-food-waste meal. During this campaign, food waste was weighed.

b) Adapting to the consequences of climate change

Adapting to the consequences of climate change was identified in the Group's risk management plan (see Chapter 9).

c) Other information

Its business activities do not expose the Group to the following risks:

- food insecurity;
- failure to ensure animal well-being;
- failure to provide responsible, fair and sustainable nutrition.

5) METHODOLOGICAL APPENDIX

References

The Group's corporate social responsibility reporting process was led in accordance with the provisions set forth in Articles L. 225-102-1 and R. 225-104 to R. 225-105 of the French Commercial Code.

The social indicators are developed in accordance with the methodology used for the social report.

The environmental indicators are based on recognised guidelines:

- national guidelines:
 - ADEME carbon footprint methodology tool, to calculate emissions of most energy, excluding electricity abroad,
 - emissions factors and other sources from the Base Carbone;
- international guidelines:
 - GHG Protocol, to define scopes 1, 2, 3,
 - Global Reporting Initiative (GRI 4) sustainable development reporting guidelines,
 - consumption or emissions factors provided by the International Energy Agency (2016 report) to calculate emissions related to electricity consumption abroad (average over the last three years);
- specific cases:
 - renewable electricity emission factors:
 - emission factors in CO₂ equivalent relating to the consumption of renewable electricity are provided directly by electricity suppliers,
 - if not, the factor applied corresponds to the average emission factor of the country consuming the electricity's renewable energy mix.

Reference period

The 2018 social reporting reference period was based on a calendar year (from 1 January to 31 December 2018) to ensure consistency with French regulations and the social report for French corporations.

The environmental reporting reference period was created on a year-on-year basis from December 2017 to the end of November 2018, with the exception of paper consumption and number of vehicles (31 December 2018).

Scope of reporting

The Group has chosen to communicate at the La Poste level (which does not produce its own report) and at the Group level. The data concerning financial services are included in La Banque Postale's data in this report.

The scope of social indicators has been expanded to French express courier companies since 2015 (GeoPost, DPD France and Chronopost companies). Since 2016, social indicators have been provided for all the Group's French subsidiaries.

Since 2014, the most significant environmental indicators apply to the express courier companies within GeoPost: energy consumption of buildings and greenhouse gas emissions from transport and buildings. Since the 2016 fiscal year, these indicators have been expanded to include all Group companies (including international subsidiaries).

The other Group subsidiaries are undertaking measures to harmonise non-financial reporting indicators and schedules, as well as computerisation projects, which will broaden the scope of consolidation over the coming years.

Extrapolating indicators

In order to assuage concerns regarding reporting consistency with the scope of consolidation of Group entities, the Group has extrapolated companies not yet included in the reporting starting with the 2016 financial year at the consolidated Group data level. Data is extrapolated by either using a ratio of greenhouse gas emissions per parcel for GeoPost, or, if that is not possible, by using a ratio of CO₂ keq per €1,000 in revenue. Typically, the extrapolated data is included in type 3 in the Group emissions table and is not included in the total emissions graphic. The change in the extrapolated issues between 2016 and 2017 is attributable primarily to the acquisitions that were carried out.

For 2018, data on paper consumption and responsible paper use were confined to La Poste's Purchasing Department (DAP0), which represented approximately 31% of the reported paper consumption, due to unavailability at the time of publication of certain data from suppliers outside the Group. The data will be updated next year.

Indicator coverage rates

The coverage rates of the indicators for the different scopes of publication are described below. The ratios are made for fully consolidated companies.

Scope of indicators		% of consolidated Group revenue	% of Group employees (in full-time equivalent)
Scope of Group commitment by 2020 (environment)		42	74
La Poste	Environmental indicators	94	94
The Group excluding subsidiaries abroad	Social indicators	75	85
Le Groupe La Poste	Energy consumption of buildings GHG emissions related to transport and buildings	100	100

The scope of the social indicators is described in Chapter 17.

Protocol

The indicators are described in a detailed reporting memorandum drawn up by the Group's Social Responsibility Department, which is in charge of the reporting process. This memorandum specifies the definition of the indicators, the methods for gathering and calculating the information, the estimates or extrapolations made, if necessary, the checks performed, and the data collection and approval responsibilities.

Environmental indicators

Group objectives concerning the decline in GHG emissions

The scope of commitment mostly corresponds to greenhouse gas emissions of transportation related to mail, parcels, the Network, corporate and financial services as well as to corporate office (notwithstanding the principles set forth in the note on methodology), Digital Services activities and the buildings managed by the Poste Immo subsidiary. This relates to direct and indirect emissions from the consumption of electricity, hot or cold steam and emissions including transportation subcontractors and employee subcontracted business travel. Road transports, air transports, rail transports and maritime transports are taken into account.

Greenhouse gas emissions

- Scope 1 and 2 GHG emissions, as defined by the GHG Protocol: direct and indirect emissions linked to the consumption of electricity, steam, heating or cooling.
- Scope 3 GHG emissions: mainly include transport subcontractors and business travel by employees.

Modes of transportation taken into account are road transport, rail transport, air transport and maritime transport. The distances for

leased air transport capacity for foreign destinations and French overseas departments take stop-overs into account.

Company vehicles are included as of the 2016 fiscal year.

Business travel by employees using their own vehicle is excluded from the scope of the indicator.

GeoPost's environmental data on buildings' energy consumption and greenhouse gas emissions related to transportation and buildings are calculated over a rolling (fourth quarter 2017 to third quarter 2018) period.

Buildings energy consumption

Types of energy taken into account are electricity, gas, domestic fuel, municipality heating, propane and GPM. They cover scopes 1, 2 and 3.

The reporting on the energy consumption of buildings was based on amounts invoiced from 1 December 2017 to 30 November 2018. The average prices used to convert these amounts into kilowatt-hours were obtained from the statistics databases, i.e. calculated from representative samples of invoices. For some buildings, consumption was extrapolated from the occupied surfaces.

The energy consumption of buildings disposed of during the year was not included.

Electricity consumption and related GHG emissions for electric vehicles are recognised at the building level.

Waste

The scope includes computer, safety/security and telecommunications equipment processed by companies specialised in recycling or reuse. Since 2014, the recovery rate has been extrapolated across the entire consolidation scope from results on materials that account for 94% of the total WEEE processed by specialised companies.

Paper consumption

Products (stamps, *Prêt-à-Poster*, and other packaging offers), cardboard boxes, and mixed items like padded envelopes are not included in the scope of the indicator.

Water consumption

A portion of the water consumption is estimated based on the expenses invoiced during the year and an average price.

Societal indicators

Purchases

Purchases include all goods and services purchased externally (machinery and equipment, transport and logistics, IT, general costs, etc.) reported as non-current assets or expenses.

The amounts are calculated at cost for La Poste, and excluding tax for other Group entities.

The scope of commitment concerns La Poste and its subsidiaries Poste Immo and La Banque Postale. The regional impact (Group data) presents data from La Poste and its subsidiaries Poste Immo, La Banque Postale, Docaposte and Mediapost.

Employee indicators

Occupational health and safety

Scope: Includes the La Poste parent company and the Group's subsidiaries in France, but not its subsidiaries abroad.

Indicators

Number of days of absence due to work or commuting accidents or occupational illness: this indicator is calculated based on the

number of individuals employed (excluding temporary contracts). The days of absence are counted in calendar days.

Frequency rate of accidents at work with time off: Number of accidents at work with time off (excluding commuting) per million hours worked. The hours worked are calculated on the basis of the average workforce multiplied by the number of hours worked *per annum*. A new method was used to calculate the frequency rate in 2017, with calculation at 31 December, one month of consolidation and the inclusion of all contracts (excluding interns). The final figure for 2016 was arrived at using the new calculation method.

Severity of accidents at work with time off: Number of days off due to accidents at work (excluding commuting) per thousand hours worked. The days lost for accidents at work are counted in calendar days. The number of accidents at work with time off as well as the number of days off due to accidents were taken from the HR management systems on 31 December.

Training

Scope: La Poste parent company and the French subsidiaries.

Total number of training hours: Total number of internal and external training hours taken by all employees (total headcount present during the year, including work-study students). This number does not include training provided within the framework of an individual employee training account, training sabbatical leave, the accreditation of work experience or skills audits. Courses are taken into account for the year in which they are completed.

Proportion of employees who took at least one training course during the year: the basis for this calculation is the average number of employees; it does not include employees who have been absent for over six months.

Gender equality

Scope: Le Groupe La Poste (includes La Poste parent company and the Group's subsidiaries in France, but not subsidiaries abroad).

Indicators:

Proportion of women on the Management Committee: the members of the Management Committee hold strategic positions within La Poste and its French subsidiaries, as defined by the Group's Executive Committee.

6) REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT IN THE MANAGEMENT REPORT

For the year ended the 31st of December, 2018

This is a free English translation of one of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the shareholders,

In our capacity as Statutory Auditor, appointed as an Independent Third Party, of La Poste S.A., certified by the French Accreditation Committee (Comité Français d'Accréditation or COFRAC) under number 3-1049⁽¹⁾ we hereby report to you on the consolidated non-financial performance statement for the year ended the 31st of December, 2018 (hereinafter the "Statement"), included in the Company Management Report, in accordance with the legal and regulatory provisions 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 Company

It is the Board of Directors' responsibility to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators.

The Statement has been prepared applying the procedures of the Company, (hereinafter the "Guidelines"), the most significant aspects of which are presented in the Statement and available upon request at the Company's headquarters.

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code (Code de commerce) and the French Code of Ethics (Code de déontologie) for statutory auditors. Moreover, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable ethical rules, professional standards, laws and regulations.

Statutory Auditor's responsibility

On the basis of our work, it is our responsibility to express a limited assurance opinion about whether:

- the Statement complies with the provisions of Article R. 225-105 of the French Commercial Code (Code de Commerce);
- the information provided (hereinafter the "Information") is fairly presented in accordance with Article R.225-105-I(3) and II of the French Commercial Code (Code de commerce) concerning policy outcomes, including key performance indicators and actions relating to the main risks;

However, it is not our responsibility to express an opinion on:

- the Company's compliance with any other applicable legal and regulatory provisions, relating, in particular, to the duty of care requirement and the fight against corruption and tax evasion;
- the compliance of products and services with applicable regulatory provisions.

(1) Scope available at www.cofrac.fr.

Nature and scope of our work

We performed our work described below in compliance with Article A.225-1 et seq. of the French Commercial Code (*Code de commerce*), defining the conditions under which the Independent Third Party performs its engagement, and with the professional guidance issued by the French Institute of Statutory Auditors (Compagnie nationale des commissaires aux comptes or CNCC) relating to this engagement, and with ISAE 3000 (International standard on assurance engagements other than audits or reviews of historical financial information).

We conducted work to form an opinion on the Statement's compliance with legal and regulatory provisions and the fair presentation of the Information therein:

- We gained an understanding of the activity of all companies in the consolidation scope, of the Company's exposure to the main social and environmental risks relating to the business activity and, if applicable, of its effects on respect for human rights and the fight against corruption and tax evasion, including any related policies and their outcomes;
- We assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, by taking into consideration, where relevant, the sector's best practices;
- We verified that the Statement covers every category of information required under Article L.225-102-1, Paragraph III concerning social and environmental matters as well as respect for human rights, fight against corruption and fight against tax evasion;
- We verified that the Statement presents the business model and the main risks relating to the activity of all companies in the consolidation scope, including – if relevant and proportionate – risks due to its business relationships, products or services, in accordance with the disclosures required under Article R. 225-105-I, and policies, due diligence procedures and outcomes, including key performance indicators;
- We verified that the Statement presents the disclosures required under article R. 225-105-II if they are relevant given the main risks or policies presented;
- We obtained an understanding of the process for identifying, prioritizing and validating the main risks;
- We enquired about the existence of internal control and risk management procedures implemented by the company;
- We verified that the Statement includes a clear, substantiated explanation of the lack of policy for one or more of these risks;
- We verified that the Statement covers all companies in the consolidation scope in accordance with Article L. 233-16;
- We assessed the data collection process implemented by the entity to ensure the completeness and fair presentation of the policy outcomes and key performance indicators that must be mentioned in the Statement;
- For key performance indicators and the other quantitative outcomes⁽¹⁾ that we considered the most important, we set up:
 - analytical procedures to verify that data collected are correctly consolidated and that any changes to the data are consistent;
 - tests of details based on sampling to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out with a selection of entities contributing⁽²⁾ to the reported data and represents between 77% and 87% of consolidated data of key performance indicators and outcomes selected for these tests;
- We referred to documentary sources and conducted interviews to corroborate the due diligence procedures that we deemed the most important⁽³⁾ (organization, policies, actions, qualitative outcomes);

(1) *Social indicators:* Total headcount, Distribution by gender, by age and by type of contract, Number of new hires under permanent contracts, Number of redundancies, Percentage of part-time employees, Total number of employee agreements signed, Number of days of absence due to sickness, Number of days of absence due to accidents at work and commuting accidents or occupational illness, Frequency rate of accidents at work with time off, Severity rate of accidents at work with time off, Total number of training hours, Number of employees trained at least once, Proportion of women on the Management Committee.
Environmental indicators: Total GreenHouse gas emissions, Energy consumption of buildings, Paper consumption, including percentage of environmentally-responsible paper, Tons of paper collected for recycling (Recy'go offer).

(2) *Social indicators:* Montpellier Human Resources Service Centre, Groupe La Poste headquarters.
Environmental indicators: Logistics Network Department, Véhiposte, Technical Department for Mail and International Mail/Parcels, La Poste Colis, Mail Department, Recy'go, Poste Immo, Procurement Department of La Poste, GeoPost headquarters.

(3) *Vigilance practices regarding health and safety of suppliers and subcontractor employees, Energy transition:* implementation of ISO 50 001 certification on a set of sites and development of an internal carbon fund, implementation of Science Based Targets objectives, development of an ethical and anti-corruption code, Respect for human rights: membership of the United Nations Global Compact, Responsible use of customer data with the deployment of the Data Charter, Deployment of CSR ratings for suppliers and subcontractors, Carbon Disclosure Project (CDP) ranking and good environmental conduct, Overall satisfaction of network's users.

- We assessed the overall consistency of the Statement based on our understanding of the Company.

We believe that the sampling methods and sample sizes we have used, based on our professional judgment, are sufficient to provide a basis for our limited assurance opinion. A higher level of assurance would have required us to carry out more extensive procedures.

Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the Statement cannot be totally eliminated.

Means and resources

Our work drew on the skills of seven individuals. To assist us in conducting our work, we called on our firm's sustainable development and corporate social responsibility specialists. We conducted around twenty interviews with the individuals responsible for preparing the Statement, particularly from Risk Management, Human Resources Management, Tax Management and Corporate Social Responsibility Management.

Opinion

Based on our work, and given the scope of our responsibilities, we have no material misstatements to report that would call into question the Statement's compliance with the applicable regulatory provisions, or the fair presentation of the information, taken as a whole, in accordance with the Guidelines.

Comments

Without qualifying our opinion, in accordance with article A. 225-3 of the French Commercial Code (*Code de commerce*), we draw your attention to the following matters:

- As specified in the methodological note disclosed in the chapter "Methodological appendix", the indicators related to paper consumption and percentage of environmentally-responsible paper were, for the 2018 financial year, limited to La Poste Procurement Department (DAPD), which contributes to approximately 31% of the Group total paper consumption, due to the unavailability of data from external suppliers.

Paris-La Défense, March 8th, 2019

KPMG S.A.

Anne Garans
Partner
Sustainability Services

Eric Amato
Partner

A2 Vigilance plan

In accordance with its vigilance plan, Le Groupe La Poste implemented several initiatives during 2018 based on an in-depth mapping of the risks associated with its business activities. It developed measures to magnify and monitor its initiatives with the aim of preventing, throughout the entire value chain⁽¹⁾, any serious infringement of fundamental freedoms, human rights, the health and safety of individuals as well as the environment. It also wishes to share its societal commitment requirements with all its employees as well as with the economic entities with which it might conduct business.

To this end, it continues to develop pragmatic and proactive internal policies regarding the safety of individuals and the respect of human rights. It endeavours to take environmental issues into account in the day-to-day implementation of its services.

In addition, La Poste has created a vigilant purchasing system that covers the entire contractual relationship and includes measures to raise awareness, assess, and assist all its suppliers and subcontractors in taking these issues into account.

1) RISK MAPPING FOR LE GROUPE LA POSTE

In all areas covered by the duty of due diligence (fundamental freedoms, human rights, health and safety of individuals and the environment), Le Groupe La Poste endeavours to continually strengthen the guarantees and protection it provides to its employees and stakeholders.

A detailed mapping of the risks associated with its value chain has been created. In view of its business activities, its geographical footprint, and its compliance policies, the Group has a very low exposure to risks associated with human rights and fundamental freedoms.

In all areas covered by the duty of due diligence, La Poste uses a system of internal and external control to monitor compliance with its commitments, it specifically:

- proscribes any risk of serious infringement of human rights and fundamental freedoms;
- strengthens prevention measures related to occupational health and safety;
- manages the risks associated with the environmental transition (Energy and Resources);
- guarantees that duty of due diligence requirements are met in its contractual relationships with partners and tier 1 suppliers and subcontractors;
- maintains the existing whistle-blowing systems accessible to all employees of La Poste and its subsidiaries and expands them through the creation of a new system specific to employees of The Company's suppliers and subcontractors.

2) PROCEDURES FOR THE REGULAR ASSESSMENT OF THE POSITION OF LA POSTE, ITS SUBSIDIARIES, SUBCONTRACTORS AND SUPPLIERS

a) Internal assessment systems

Several systems for the assessment of compliance with duty of due diligence requirements are being put in place.

Each year, Le Groupe La Poste identifies and assesses its risks. This process makes it possible to update the mapping of the major risks to the Group, which is reviewed by the Executive Committee, followed by the Audit Committee of the Board of Directors. In addition, the Group Risk Committee may monitor certain types of risks or topical issues, some of which may relate to the duty of due diligence.

The Group also has an internal control and audit system that verifies the proper application of all processes. The assessments thus

performed within each department, which systematically include items relating to the duty of due diligence, may also be subjected to an internal audit or to an audit by the Statutory Auditors who, in this context, may conduct more in-depth investigations.

A formal letter was drafted to mobilise the departments and the subsidiaries to the solidity of its internal control system, which specifically incorporates the taking into account of the duty of due diligence. This letter was signed by all business unit directors, cross-entity departments and tier 1 subsidiaries.

This internal control process also permits the dissemination of best practices throughout the Group entities to foster continuous improvement.

(1) The value chain consists of all the Group's services, as well as its suppliers and service providers who contribute to the accomplishment of the various business activities of Le Groupe La Poste.

In addition, the position of La Poste and its subsidiaries is assessed within the context of the Group's CSR report which specifically includes the monitoring of all HR indicators of the parent company and its subsidiaries in France, which covers 80% of La Poste employees.

With respect to the environment, the CSR report covers the entire Group.

b) Assessment of suppliers and subcontractors

La Poste has decided to implement a responsible purchasing policy that integrates its requirements in respect of societal commitment. The policy covers the purchasing process from end to end, from the call for tenders to supplier selection, contracting, and managing the production or delivering the product. It is accompanied by a compliance management system for suppliers.

For this purpose, La Poste offers its suppliers access to a self-assessment platform on CSR issues, the fight against corruption,

quality of service, and compliance with the various aspects of the duty of care.

The system was launched in 2018. It is also part of an informative approach designed to encourage the appropriation by all types of suppliers of the commitments and objectives of Le Groupe La Poste on issues relating to the responsible purchasing value chain. This service, which will result in a specific labelling of the participating companies, will be financed by La Poste.

A service provider of La Poste with acknowledged expertise will subsequently conduct a review of this self-assessment in order to make this rating system more reliable as a whole.

A communication campaign regarding the new responsible purchasing policy will target La Poste service providers in 2019. Training plans for La Poste buyers and awareness-raising for in-house specifiers are also in the works.

3) MEASURES FOR PREVENTING OR MITIGATING SERIOUS INFRINGEMENTS

a) Measures to prevent and mitigate serious infringements within the Group

1) Measures intended for employees of Le Groupe La Poste

In keeping with its membership in the United Nations Global Compact since February 2003, Le Groupe La Poste established prevention policies to promote human rights, fundamental freedoms and the health and safety of its employees a number of years ago. It is committed to strengthening these policies.

It places great importance on negotiations with its social partners regarding the implementation of its policies, particularly regarding health and quality of life at work, contingency, gender equality in the workplace, disability, etc., thereby offering guarantees and additional rights to its employees.

With respect to compliance with duty of due diligence requirements in terms of fundamental rights, La Poste has implemented concrete initiatives:

- to ensure compliance with regulations, La Poste employs an overall legal compliance approach that aims to inform, train, and raise awareness among all HR Department staff. To verify the fair application of regulations, the Company has established control and prevention systems;

- it has also created policies aimed at significantly improving the work life of its employees:

- it continues to be committed to gender equality in the workplace, which has yielded very significant results in terms of salary equality and the presence of women in the Company, particularly in management,
- it follows a specific policy for the employment and protection of disabled people. La Poste is in fact the top French employer of people who benefit from mandatory employment (BOE) with over 14,000 employees in 2018 and an employment rate of 6.75%,
- information is provided each year to all La Poste employees regarding the fight against all types of workplace discrimination,
- new guarantees have been adopted to promote work-life balance through the establishment of the right to disconnect, expanded access to working remotely, and the taking into account of caregiver status.

In addition, La Poste is continually reinforcing its risk prevention measures for the health and safety of individuals through:

- prevention measures for incapacity adapted to all business activities;
- an overall policy for the prevention of accidents at work;
- measures for the prevention of psycho-social risks;

- a customised support policy for individuals who are absent for long periods to facilitate their return to employment;
- initiatives to fight incivility suffered by La Poste employees working with the public;
- a training plan on prevention for the HR function and the managerial line.

2) Measures contributing to the accomplishment of the environmental transition

La Poste has decided to make societal commitment one of its development vectors. Accordingly, it has taken important decisions regarding the environment.

The Group intends to contribute to the achievement of the objectives set by the Paris Agreement to maintain the average temperature increase below 2°C.

For several years, the Group has been committed to:

- preventing pollution risks on its industrial sites;
- reducing greenhouse gas emissions and atmospheric pollutants during transportation and delivery: it has set up a control system for its CO₂ and fine particulate emissions that enables it to identify the most relevant levers to reduce its environmental impact and to assess its environmental policy;
- optimising its environmental footprint: energy efficiency, renewable energy sources.

La Poste is also strengthening its circular economy initiatives (internal and external re-use), while complying with legal requirements for waste management.

In 2018, it reduced its greenhouse gas emissions by 20% from their 2013 level.

All the energy supplied to buildings managed by Poste Immo, a Le Groupe La Poste subsidiary, comes from renewable sources.

An innovative energy management system has been established within its services.

The Group is continuing its ISO 14001 certification process (environmental management system covering the prevention of pollution risks, waste reduction) for its sites. Accordingly, all parcel processing platforms are certified.

b) Prevention and mitigation measures for serious infringements affecting suppliers and subcontractors

Given its size and diverse activities, La Poste works with over 40,000 suppliers and subcontractors who operate in a wide array of fields. Fewer than 2% of its suppliers and subcontractors are located outside French national borders and the majority of these foreign suppliers and subcontractors are located within the European Union.

In this context, La Poste has implemented a purchasing policy that enables it to ensure vigilance over its entire value chain.

The Group has formalised a Responsible and Ethical Engagement Charter that is systematically appended to the contracts established with its suppliers and subcontractors. In addition, contractual clauses regarding the duty of due diligence are systematically inserted into contracts with suppliers and subcontractors. La Poste wishes to share its commitments with its service providers and asks them to follow the same guidelines, as well as with their own suppliers and subcontractors, and to allow La Poste to audit their services.

Furthermore, La Poste implements prevention measures for the personnel of subcontracting companies.

4) THE WHISTLE BLOWING SYSTEM AND THE COLLECTION OF NOTIFICATIONS

La Poste established several ethics whistle-blowing channels some years ago. Group employees can therefore use these channels to report problems, violations of laws or regulations, normally ratified international commitments, lapses in ethics and anti-corruption work or unethical behaviours they may have observed.

In 2018, Le Groupe La Poste created a single whistle-blowing system for the employees of the Group's tier 1 suppliers and subcontractors assigned to a business activity connected to La Poste.

The relevant companies are being progressively informed of this guarantee offered by the Group, which contractually asks them to

inform their employees of its existence. To this end, La Poste has created an informational document detailing the operation of its whistle-blowing system and the guarantees it provides.

This whistle-blowing and collection of notifications system has been integrated into the Group's ethics policy. The Group's ethics officers ensure that all the notifications relating to the duty of due diligence, whether internal or external, are handled in accordance with the law, remain strictly confidential and provide all legal guarantees to whistle-blowers and the handling of these notifications.

5) THE MONITORING SYSTEM FOR COMMITMENTS AND MEASURES IMPLEMENTED

La Poste's vigilance plan includes a management body that unites all relevant Group departments (Human Resources, Social Commitment, Risks, Purchasing, Ethics, Legal) to review the action plans proposed for implementation and to guarantee their implementation within the Group.

A presentation of the Group's commitments was made to the Strategic Dialogue Committee. A commitment has been made to involve the social partners in accordance with this policy.

The Group's Executive Committee (Comex) monitors the policy to be implemented in terms of the duty of due diligence.

Following the risk assessments reported to the Comex, it decides upon the national actions to maintain, implement or develop in order to strengthen the security systems within Le Groupe La Poste or regarding its service providers.

A3 Report on corporate governance

In accordance with the provisions of Articles L. 225-37, paragraph 6, L. 225-68 and L. 226-10-1, paragraph 1, the report on corporate governance is included in the management report pursuant to the provisions of Article L. 225-37, paragraph 6, of the French Commercial Code.

1. REPORT ON CORPORATE GOVERNANCE

This report consists of the following items:

Section of this registration document	Contents
Chapter 14	- List of terms of office and functions - Possible limitations of the powers of the Chief Executive Officer
Chapter 15	- Compensation of corporate officers - Commitments made by La Poste to corporate officers
Chapter 16	- Composition of the Board and conditions for the preparation and organisation of the Board's work - Code of Corporate Governance (Article L. 225-37-4-8 of the French Commercial Code)
Chapter 21.2.5	Specific terms and conditions of shareholder participation in the General Shareholders' Meeting or provisions of the Articles of Association providing for such terms and conditions

● Regulated agreements

Pursuant to Article L. 225-38 of the French Commercial Code, it is specified that:

- no agreement referred to in Article L. 225-38 of the French Commercial Code has been entered into during the year ended 31 December 2018;
- no agreement entered into and authorised in prior years continued during the year ended 31 December 2018.

● Table of delegations granted by the General Shareholders' Meeting to the Board of Directors regarding capital increases

No delegation was granted by the General Shareholders' Meeting to the Board of Directors regarding capital increases pursuant to Articles L. 225-129-1 and L. 225-129-2 of the French Commercial Code.

● Elements likely to have an impact in the event of a tender or exchange offer

Not applicable because La Poste's shares are not listed.

● Application of the principle of balanced representation of women and men on the Board of Directors

La Poste complies with the proportion of members of each sex on the Board of Directors set by Article L. 225-18-1 of the French Commercial Code.

The Board of Directors currently has 12 men and 9 women.

● Compensation of senior executives: draft resolution

Draft resolution to be submitted to a vote of the shareholders on the principles for determining the compensation and benefits of any kind for the Chairman and Chief Executive Officer.

Draft Resolution

(Approval of the principles for determining the compensation and benefits of any kind for the Chairman and Chief Executive Officer)

After reviewing the report of the Board of Directors and having deliberated thereupon, the General Shareholders' Meeting approves, pursuant to Article L. 225-37-2 of the French Commercial Code, the principles and criteria for determining, distributing and allocating the components of the total compensation and benefits of any kind attributable to the Chairman and Chief Executive Officer of La Poste.

A4 Glossary

Addressed mail

Type of targeted mail that includes a specific recipient and address (as opposed to unaddressed mail).

Advertising mail

Mail that promotes a brand, its products or its services (may be addressed or unaddressed).

Advertising materials/ISA

Unaddressed admail: advertisements delivered to mailboxes. Type of mail that does not include a specific recipient and address (as opposed to an addressed letter).

Arcep

French Authority for regulation of the electronic communications and postal sectors: an independent French administrative authority whose goal is to ensure that the postal market remains open and operational (issues authorisations to operate postal activities, issues opinions on rates and universal service quality objectives, and approves universal service rates).

BtoB

Business to Business: used to describe a business to business relationship.

BtoC

Business to Consumer: used to describe a business to consumer relationship.

Business mail

Mail whose purpose is to manage and cultivate a brand or company relationship with customers.

Business process outsourcing (BPO)

Outsourcing of certain processes to an outside service provider, a subcontractor.

Catchment areas

Commercial area surrounding a sales outlet and in which consumers and/or prospects live.

CDPPT

Departmental Commission on Local Postal Presence: tasked, in particular, with negotiating with La Poste to determine the spending used to improve access to postal services in rural areas and in urban policy priority locals, to strengthen postal coverage in French overseas departments, and to monitor how the provisions of the local postal coverage agreement are applied.

Circular economy

The purpose of the circular economy is to move from a model aimed at reducing impacts to a model aimed at creating value at a social, economic and environmental level (new design, production and consumption methods, prolonging duration of use, encouraging use over possession, reusing and recycling components).

Cogas

Social Activities Guidance and Management Committee (*Conseil d'orientation et de gestion des activités sociales*): implements the employee policy defined by the Group, allocates the budget and controls its use within the framework of management shared with the trade unions.

Crowdfunding

This term describes all financial transaction tools and methods used to raise funds from a large number of people to finance a project. This practice is primarily used on the Internet and has become popular thanks to social networks. This type of financing is a disintermediation process and contributions may come from private individuals or from companies, regardless of the type of business activity.

CSNP

The High Commission for Digital and Postal Services (formerly CSSPPCE) is responsible for monitoring the postal business and electronic communications: fixed line and mobile telephone services and Internet. In this capacity, it assesses the impact of new technologies in La Poste's daily and future activities.

The CSNP ensures that postal and electronic communications segments remain balanced. It provides opinions and recommendations, following a hearing, referral or fact-finding missions. The CSNP submits an annual report to the Parliament and the Prime Minister, works with the government in the broader sense, and in particular with the Minister of the Economy, Industry and the Digital Sector.

CtoC

Consumer to Consumer: used to describe a package sent by one consumer to another consumer.

Customs agent

A company that carries out customs formalities on behalf of its customers.

Delivery times

The number of business days between when goods are received by the carrier and when they are delivered to the end-customer.

Desktop publishing

A set of tools, services, resources and IT applications used in publishing documents. It is mostly used when producing documents in bulk (mail shots, contracts, invoices, account statements, advertising messages, etc.).

Eco-driving

Style of driving based on using a vehicle modestly to limit CO₂ emissions and fuel consumption.

Electronic transactions management

All electronic, computerised and telematic procedures needed to manage bank cards and associated transactions.

ESC/ESC-I

Customer Service Area and an integrated Customer Service Area: post office concept featuring a reception, advice and sales model based on a multi-channel model focused on personalised service.

Hackathon

Combination of “hack” and “marathon”. Event during which teams of developers, and occasionally designers and project managers, must complete an IT project, generally software or an application, within a limited and generally short time period (e.g. one day, one weekend).

Hub

Concentration/dispatch platform for a national “region”. The network, which includes the hubs, is arranged in the form of a “spider’s web”: all the express post collected during the day is consolidated in a hub, in general close to an airport, station or multimodal platform, before being redirected to depots or destination centres, or to another hub.

IARD

Fire, Accident and Miscellaneous Risks: French abbreviation used to designate property and casualty insurance.

Incubator

Organisation that aids and supports business creation. Its primary function is to help those in charge of an innovative project in view of creating a company. Incubators mostly operate within the framework of projects associated with a technological innovation. They help those in charge of the project in the creation of a business plan, the filing of patents, etc. They provide them with premises, offices and help them to create a network.

Integrated operator

Global transport companies that operate in the entire shipping chain: airline company (cargo fleets), customs agent, cargo agent and road carrier.

IoT

Internet of Things: the interconnection between the Internet and things, places, and physical environments. This term designates a growing number of devices that are connected to the Internet and that therefore permit communication between our physical property and the digital realm. These types of connections make it possible to gather new data on the network and, accordingly, new knowledge and types of expertise.

IPC

International Post Corporation: a cooperative association of European, North American and Asia-Pacific postal operators whose missions are to improve the quality of international service, conduct studies and research in the area of postal services and encourage discussion forums on postal issues.

Items on hold

Postal items awaiting pick-up at a retail outlet.

“La Poste Relais” outlets (rural/urban)

A retail outlet managed by a retailer that offers most postal services during extended business hours. This type of outlet helps keep shops in rural areas open. In urban areas, located in high-traffic locations such as train stations and supermarkets, La Poste Relais outlets put the most used postal services in the daily path of a large number of citizens.

Last mile

Last link in the logistics chain for a delivery. This phase ensures the individual shipping to companies as well as home delivery to consumers.

Literature for the blind

Mail or parcels containing documents sent or received by visually-impaired people or by organisations that assist them (associations, specialised educational institutions, etc.). In France, the universal postal service includes mailing literature for the blind free of charge.

Local and inter-communal postal agencies

Retail outlets managed in partnership with the city hall or with a group of municipalities. Postal services are carried out in exchange for compensation (see Chapter 5, Section 5.5.1).

Mail order companies

Mail order professionals (VPC).

MVNO

Mobile Virtual Network Operator: a virtual mobile network operator that does not have its own technical infrastructure and that enters into agreements with mobile operators that have their own network in order to provide a range of services and technical solutions to its customers under its own brand.

ONPP

National Postal Presence Observatory: monitors management of the equalisation fund and controls the implementation of the local postal coverage agreement. It consists of representatives of the French State, the Association of French Mayors, the CSNP (formerly CSSPPCE) and Le Groupe La Poste.

Packing units

Packing units for their shipments.

Paylib

A simple and secure online payment method that does not require inputting bank card data. BNP Paribas, La Banque Postale and Société Générale have joined forces to develop this solution, later joined by Cr dit Mutuel Ark a and Cr dit Agricole.

Personal micro-credit

Loan for consumers who wish to complete a project (excluding start-up), but who do not have access to traditional bank credit.

Pickup Station

Service to make parcels available in automated lockers (lockers located outside are accessible 24/7). As soon as the parcel is available, a text message and/or email are automatically sent to the recipient including a collection code. Recipients have three business days to pick up their parcel.

Portage

Delivery of print media by a deliverer to a subscriber's home or workplace, unlike press delivery.

Portage also refers to the home delivery service for meals, shopping, and medicines.

PostEurop

Association of European public postal operators.

Postman-counter clerk

A postman/postwoman who carries out all services related to the job of a postman (mail delivery, local services) as well as post office counter services. Postmen-counter clerks handle all La Poste service offerings (Mail, Parcel, Chronopost, La Banque Postale and La Poste Mobile pre-paid mobile phone refill cards).

Press delivery

Transport and delivery of pressprint media through La Poste's traditional circuit.

Public Service Agreement

The Public Service Agreement between La Poste and the French State fixes the framework and the methods used to perform the public service missions entrusted to La Poste (delivery of mail/parcels six days out of seven to all French homes, providing banking accessibility via La Banque Postale, contribution to regional planning through its postal coverage, transport and press delivery). The agreement currently in force covers the period between 2018 and 2022.

Retail outlet

General term for all types of local postal coverage, ranging from post offices, public service areas (MSAP), local and inter-communal postal agencies, La Poste Relais outlets (in a shop or at an SSE partner location in a rural or urban area), services rendered by postmen-counter clerks, co-working spaces and any other forms of resource pooling that aims to share resources between La Poste and other public or private partners and approved by the National Postal Presence Observatory (ONPP).

Reverse logistics

Reverse logistics, or return logistics, concerns managing flows from the consumer to the manufacturer (after-sales service, waste recycling, unsold goods management, etc.).

Rural area

A municipality with fewer than 2,000 inhabitants.

Scanning

A process consisting of scanning a parcel from its drop off at the post office to its delivery (a parcel is scanned an average of four times during handling and shipment). With the tracking number, customers can see where their package is, at all times.

Sharing economy

An economic model where use is seen as more important than ownership (sharing, trading, bartering, selling, or renting). This practice is strongly tied to the surge in online trade.

Shipper

A term used in the express sector for an ordering customer who pays for the transport.

Silver economy

Economy that serves senior citizens. It is intended to support a population with a growing life expectancy, which is creating new needs – particularly in the leisure, transport, food, safety, healthcare, household, shared housing, insurance, telephone assistance, Internet and sports sectors.

Single-piece mail

Items posted and handled individually, as opposed to bulk mail. Another term for individual mail.

Social micro-credit

Loan system that aims to promote the social and professional integration of disadvantaged consumers or those outside the banking system.

SSE

Social and Solidarity Economy: a group of companies organised in the form of cooperatives, mutual companies, associations or foundations whose internal functioning and business principles are based on solidarity and social benefits.

Talk to Pay

This biometric voice-activated authentication system is a new solution for secure online payments. Thanks to this system, La Banque Postale enables Internet users to pay for their purchases online by pronouncing the password sentence received beforehand. This action triggers the automatic filling out of the payment form.

Think tank

Non-profit institution that brings together experts and produces studies and proposals in relation to public policy.

Tracking

Service provided by express or rapid transportation carriers involving the computerised monitoring of an item's progress from collection to delivery. Transport companies try to offer as many tracking points as possible (usually at each reload). Electronic handsets, carried by drivers and delivery people, that enable customers to access information on final delivery.

ULA

Urban Logistics Area: an area intended for delivering and collecting express parcels that weigh less than 30 kg in an urban area.

UPU

Universal Postal Union: a specialised institution of the United Nations whose goal is to encourage proper development as well as cooperation between the different existing postal systems. It establishes trade regulations for international mail.

Urban logistics

Method of shipping cargo flows entering, leaving and circulating in a city under the best conditions while taking many elements into consideration (habitat, economic activity, urban management, transportation, pollution and urban congestion, etc.)

VAD

Distance sales (for example, e-commerce and mail order).

VAE

Electric bike.

ZRR

Rural revitalisation area.

A5 Information on the tax credit for competitiveness and employment

The 2012 Supplementary Budget Act established a tax credit for competitiveness and employment (CICE), a programme that involves all French companies that hire salaried employees and that are subject to corporate tax (IS) or to income tax based on actual profit (IR), regardless of how they operate or their business segment. Article 76 of the 2015 Budget Act states that the

information pertaining to using the CICE must be provided as a detailed description in a note to the financial statements as from the fiscal year ended for 2014. The 2018 Budget Act repealed the tax credit for competitiveness and employment effective 1 January 2019. Accordingly, 2018 is the last fiscal year for the application of this tax credit for Le Groupe La Poste.

LA POSTE RECEIVES THE CICE AS A:

- public limited company subject to corporate tax;
- labour-intensive company that employs modest-wage earners. La Poste is one of France's largest employers with 243,379 employees⁽¹⁾ in France, 81% of whom receive less than or equal to 2.5 times the French minimum wage (SMIC) as their compensation;
- company conducting its business in a completely competitive environment without any monopoly situation in its markets.

The CICE accounted for €303 million for La Poste in 2018 (€356 million in 2017 and €310 million in 2016⁽²⁾).

This decrease is due to the change in the CICE rate from 7% to 6% in 2018.

THE CICE IS ACCELERATING THE TRANSFORMATION OF LA POSTE'S BUSINESS MODEL

The CICE aims to "fund improvements in business competitiveness primarily through investment, research, innovation, training, recruitment, exploring new markets such as environmental and energy transition and to rebuild working capital".

The CICE gives La Poste the resources to transform itself and renew its business model after struggling with declining mail volumes, which has challenged the viability of its growth model. It is used to:

- make significant investments: over €1,161 million invested in the Group in 2018 excluding banking (of which €327 million invested in the La Poste parent company), and nearly €1,240 million in planned investments for the Group in 2019 excluding banking (of which €345 million invested in the La Poste parent company) to support the development of the business units (Services-Mail-Parcels, GeoPost, La Poste Network, Digital Services);
- finance employee training, which is necessary to support the development of new services (banking offer for customers in the professional market, new local services by postmen, etc.). As a result, from 2015 to 2020, La Poste has been setting up a programme with 50,000 qualifying training paths with in-house certification to develop key skills and support employees' career paths: at the end of 2018, almost 37,000 employees were engaged

in one of the 45 available qualifying training paths, and more than 28,000 had already received certification.

La Poste has also had a self-service training program accessible to all employees since April 2017. It is structured around two themes: corporate culture, and digital and data, in particular to enable employees to develop their digital skills. At the end of 2018, more than 60,000 employees had taken at least one training course in the Self-Service Offer (of which more than 50,000 in 2018).

Lastly, in 2018, more than 8 employees out of 10 had attended at least one training course, through which they can acquire and maintain the skills required for their role and professional career and 9 out of 10 employees received training during the last two years. Le Groupe La Poste's strategic plan aims to provide 100% of employees with training over two years, which would result in training expenses totalling over €220 million per year in support of the overhaul of La Poste's job structure and business processes;

- maintain its undertaking with regard to employment: the CICE enables La Poste to limit the consequences on employment of its drop in revenue. Accordingly, after taking on more than 23,000 employees under permanent contracts from 2012 to 2016, the Company took on over 7,800 employees with permanent contracts in 2017, and nearly 8,600 in 2018.

(1) Registration Document, individual workforce as at 31 December 2016.

(2) Amount calculated on compensation paid for the year concerned.

A6 Cross-reference tables

HEADINGS OF APPENDIX I OF EC REGULATION NO. 809/2004

This registration document includes all of the items required by Appendix I of EC Regulation No. 809/2004, as presented in the table below:

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ANNUAL FINANCIAL REPORT

This registration document includes all of the items from the annual financial report as mentioned in Article L. 451-1-2 of the French Monetary and Financial Code and as required by Article 222-3 of AMF General Regulations. The table below includes items from the annual financial report:

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MANAGEMENT REPORT

The registration document includes all of the items from the Company's Board of Directors' management report listed in Articles L. 225-100 and L. 225-100-2 of the French Commercial Code, as presented in the table below:

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